The things that make anybody from anywhere feel at home in Tennessee are a lot like a patchwork quilt. It's all the different pieces coming together—some handed down for generations, some shared with a good friend or neighbor and some brand new. And, like a handmade quilt, Tennessee's traditions, its spirit and its special values come together as something worth proclaiming.

There are 3,000 places Tennesseans proudly call home. And some of those places are ranked among the best places to live in America. We believe that's why so many businesses have moved to Tennessee —companies like General Motors who felt so at home in Tennessee that they decided to locate the new Saturn plant in Spring Hill.

We know that tomorrow's jobs are coming to Tennessee because Tennesseans still hold to yesterday's values and too many other places have lost them. That's why we're spending an entire year—Tennessee Homecoming '86—celebrating our special traditions and values with each other and the rest of the world.

The Tennessee Homecoming '86 logo was created by professional designer Dan Brawner and painted by artist Michael Sloan, both Tennesseans. The logo was designed to typify the character of Tennessee using age-old objects—an antique rocking chair and a handmade quilt. Home, warmth, traditional crafts, history and southern lifestyle are all symbolized in one simple picture.

S7505-1

Tennessee Comprehensive Annual Financial Report
For The Year Ended June 30, 1985

LAMAR ALEXANDER, Governor

DEPARTMENT OF AUDIT
WILLIAM R. SNODGRASS, Comptroller of the Treasury
Division of State Audit
FRANK L. GREATHOUSE,
Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
HUBERT L. McCULLOUGH, Commissioner
Division of Accounts
ROBERT L. BUCKHAM, Assistant Commissioner
for Accounting

Tennessee Department of Finance and Administration,
Authorization No. 317016; December 1985, 1050 copies.
This public document was promulgated at a cost of
$6.67 per copy.

STATE OF TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1985

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Introductory Section

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL, NASHVILLE, TENNESSEE 37219

HUBERT L. McCULLOUGH
COMMISSIONER

November 6, 1985

The Honorable Lamar Alexander
Governor of the State of Tennessee

In accordance with Section 4-4-114, Tennessee Code Annotated, it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the State of Tennessee for the year ended June 30, 1985. This report has been prepared by the State's Department of Finance and Administration. Responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the State. I believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the State's financial activity have been included.

Accounting System and Budgetary Control

The State's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when measurable and available and expenditures being recorded when services or goods are received and the liabilities incurred. Accounting records for expendable trust and agency funds are similarly maintained. The State's proprietary, nonexpendable trust, pension trust and college and university funds are accounted for on the accrual basis.

In developing and modifying the State's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 1985.

The Reporting Entity and Its Services

The funds and entities related to the State of Tennessee included in our Comprehensive Annual Financial Report are controlled by or dependent on the State. Determination of "controlled by or dependent on" is based on criteria developed by the National Council on Governmental Accounting in their Statement 3, Defining the Governmental Reporting Entity. The criteria deal with existence as an organized entity; governmental character; and substantial autonomy. Based on these criteria the various funds and account groups (being all the funds and account groups of the State) shown in the Table of Contents are included in this report.

The State provides the full range of services contemplated by statute or character. These include education, health and social services, transportation, law, justice, public safety, recreation and resources development, public improvements and general administrative services.

General Governmental Functions

General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects funds. Revenues for general governmental functions totaled $4.5 billion in 1985, an all-time high and an increase of 15% over 1984. Taxes represented 61% of general revenues compared to 58% last year. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

Revenue Source	Amount	Percent of Total	Increase from 1984
Taxes	$ 2,776,915	61.1%	$ 481,871
Licenses, fees and permits	64,370	1.4	4,050
Interest on investments	77,935	1.7	21,368
Federal	1,372,825	30.2	64,521
Departmental services	245,246	5.4	29,493
Other	10,273	.2	905
	$ 4,547,564	100.0%	$ 602,208

Tennessee's 1985 revenue picture was brightened considerably by the effects of an improving national economy. The largest revenue increase, some $380 million, occurred in the State's largest revenue source, sales and use tax. 1985 sales tax revenues benefited substantially from a complete year of collections including the temporary 1% rate increase which began April 1984. Similarly, the full year effect of a 1984 franchise tax increase boosted 1985 franchise tax revenue by $45 million. Federal funding participation in mounting social, education and highway programs generated the increase in federal revenue.

Expenditures for general governmental purposes totaled $3.8 billion in 1985, also a record and a 13% increase over the previous year. Changes in expenditures by function from 1984 levels are presented in the following tabulation (expressed in thousands).

Function	Amount	Percent of Total	Increase (Decrease) from 1984
General government	$ 161,615	4.2%	$ 26,617
Education	1,167,879	30.3	186,799
Health and social services	1,380,586	35.9	84,844
Law, justice and public safety	256,243	6.6	43,318
Recreation and resources development	136,274	3.5	23,989
Regulation of business and professions	15,920	.4	2,354
Transportation	606,783	15.8	62,416
Debt service	83,440	2.2	(4,200)
Capital outlay	41,211	1.1	9,674
	$ 3,849,951	100.0%	$ 435,811

Functionally, the largest increment occurred in education where salary and benefit increases for teachers (some $84 million) and expenditures under the newly initiated Better Schools program ($54 million for Career Teachers, $9 million for Computer Skills, etc.) were funded. Increased costs of health and social programs, particularly a $19 million spending increase under the Job Training Partnership Act program, led to the rise in health and social services expenditures. A significantly expanded maintenance and resurfacing program accounted for $49 million of the $62 million increase in transportation expenditures.

Ending fund balances for all governmental fund types increased $104 million to $609 million at June 30, 1985, the highest level this decade. Of this total, unreserved fund balances aggregated $215 million as compared to $150 million a year ago.

Debt Administration

Tennessee continues to receive excellent bond ratings from both Moody's Investors Service (Aaa) and Standard and Poor's Corporation (AA+), reflecting our long-standing record of sound financial management. No general obligation bond issues were sold by the State during the year. As a result, general long-term bonded debt decreased from $531 million at June 30, 1984 to $481 million at June 30, 1985. The following table presents certain data regarding general obligation bonds issued during the last five fiscal years.

Date of Issue	Amount (Millions)	Average Interest Rate
August 1, 1980	$ 71.4	7.017%
November 1, 1982	100.0	8.370

The ratio of net general long-term bonded debt to assessed valuation and the amount of net bonded debt per capita and per family are useful indicators to citizens, investors and management of the State's debt position. At June 30, 1985 these data were as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita	Debt per Family
Net General Long-Term Bonded Debt	$ 476,942,000	1.64%	$ 99.80	$359.28

Cash Management

In recent years the State Treasurer has pursued an aggressive cash management and investment program. One aspect of this which we believe is unique to Tennessee is our direct access into the Federal Reserve wire system. Through the State Trust of Tennessee, all wire services in the federal system are available via a terminal located in the State's investment offices. This provides the State with unprecedented flexibility in investing and concentrating cash balances and pension fund assets, and in redeeming warrants and checks issued against the Treasury. During fiscal year 1985, uncommitted State funds were invested in short-term collateralized deposits as follows (averaged): certificates of deposit (52%); repurchase agreements (34%); U.S. Treasury bills (12%); and money market accounts (2%). The composite average yield on these investments was 10%, up from 9.5% last year.

Proprietary Funds

Combined operating revenues for the State's enterprise funds increased from $79 million in 1984 to $98 million in 1985. Combined operating expenses also increased from $68 million to $87 million during the same period. The Tennessee Housing Development Agency (THDA), created to provide housing loans to lower and moderate income citizens, again paced the enterprise fund activity ($84 million and $74 million in operating revenues and expenses, respectively). Outstanding enterprise fund bonds at June 30, 1985 totaled $953 million, consisting of $72 million in State Loan Program general obligation bonds and $881 million in THDA and Local Development Authority revenue bonds.

Combined operating results for the State's internal service funds steadied in 1985, led by Motor Vehicle Management's operating income of $3 million. Combined operating revenues and expenses for these cost-reimbursement agencies aggregated $38 million and $35 million, respectively, as compared to 1984 amounts of $39 million and $36 million, respectively. The principal internal service operations provide data processing services, motor pool vehicles and printing services to other State departments. Tennessee State School Bond Authority revenue refunding bonds of $52 million were outstanding at June 30, 1985 offset by investment securities of like amount.

College and University Funds

College and University current funds revenues increased 13% to $615 million in 1985. State appropriations to these funds rose 22% to $482 million. The primary highlights in current funds revenues were the increase in income from government grants and contracts ($144 million in 1985 vs. $122 million in 1984); and increased auxiliary enterprise hospital revenues ($112 million in 1985 vs. $92 million in 1984) reflecting higher patient occupancies at both university-operated hospitals. Current funds expenditures likewise increased in 1985, up some 16% to $872 million. The State's commitment to increased pay and benefits for higher education faculty and staff was borne out by this increment. Student loans outstanding at June 30, 1985, primarily from federal government sources, totaled $37 million, up $1 million from last year. Total assets of the endowment and similar funds group rose 23% in 1985 to $49 million. College and university revenue bonded debt increased $6 million to $245 million at June 30, 1985. Enrollment declined to 102,000 students, the lowest in over a decade; university students decreased by 3,000 to 83,000 and community college students decreased by 2,000 to 19,000.

Pension Plan

Total assets of the State's pension trust fund reached $4 billion at June 30, 1985. The latest actuarial valuation of the plan, prepared as of June 30, 1983, indicated that the actuarially computed value of vested benefits exceeded net assets of the fund at that date by $477 million. The actuarial report also noted that progress in funding continued, the plan termination liability funding ratio for the entire system, including electing political subdivisions, increasing to 83% at June 30, 1983.

General Fixed Assets

The general fixed assets of the State are those fixed assets used in the performance of general governmental functions. They exclude the fixed assets of the Enterprise, Internal Service, nonexpendable Trust and College and University Funds. An inventory of all State-owned land and buildings was completed in 1984, and a computerized real property management system is now in place to maintain this information at cost, estimated historical cost or fair market value, as appropriate. As of June 30, 1985 the State's general fixed assets, based on this inventory, amounted to $882 million.

Independent Audit

State statutes require an annual audit of all fund types and account groups of the State. The accompanying financial statements have been examined by the Division of State Audit, Office of the Comptroller of the Treasury. Their examination was conducted in accordance with generally accepted government auditing standards, and their unqualified opinion appears elsewhere herein.

Certificate of Conformance

The Government Finance Officers Association of the United States and Canada (GFOA), awarded a Certificate of Conformance in Financial Reporting to the State of Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 1984. In order to be awarded a Certificate of Conformance, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Conformance is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Conformance Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Past Year's Operations and Future Prospects

Buoyed by a strong national economy and sales tax revenues benefiting from a temporary 1% rate increase, Tennessee's 1985 financial results were the strongest on record. Governmental fund type revenues exceeded expenditures by $698 million, before State appropriations to higher education current and plant funds aggregating $509 million. These strong results enabled us to increase our "rainy day" revenue reserve from $50 million to $75 million. In addition, some $122 million was set aside for various one-time capital outlay, higher education, bond cancellation and other purposes.

Although a decline in the rate of national economic growth is expected, we look forward to another bright year for Tennessee. We will continue to be an attractive location for industry with our favorable business and tax environments - a fact not lost on General Motors who announced in July the selection of a Tennessee site for their new Saturn plant. We will continue the bold initiatives in education begun last year, from kindergarten through graduate school - a historic new investment in our children, our teachers and our schools. We will continue progressive and responsible financial management, providing necessary government services for our citizens from the lowest per capita state tax burden in the southeast. We will continue our leadership role in accounting and financial reporting excellence.

Respectfully submitted,

Hubert L. McCullough, Commissioner
Department of Finance and Administration

HLM/jr

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

William R. Snodgrass
Comptroller

STATE CAPITOL
NASHVILLE, TENNESSEE 37219-5043
PHONE (615) 741-2501

November 6, 1985

To the Members of the General Assembly
of the State of Tennessee
and
The Honorable Lamar Alexander, Governor
State of Tennessee

Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the auditor's report on the Comprehensive Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1985.

Respectfully,

W. R. Snodgrass
Comptroller of the Treasury

WRS/jr

Certificate of Conformance in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1984

A Certificate of Conformance in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION S.A.I. CHICAGO

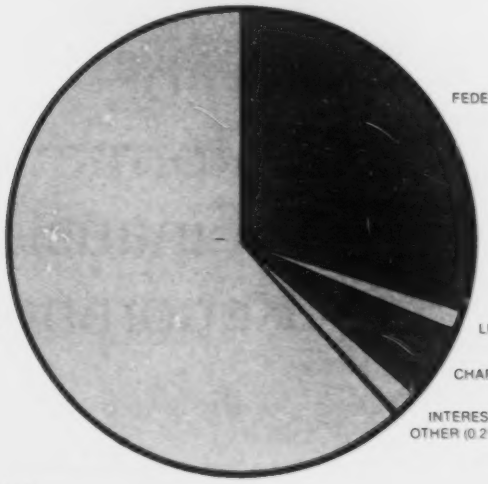
John T. Walsh
President

Jeffrey L. Esser
Executive Director

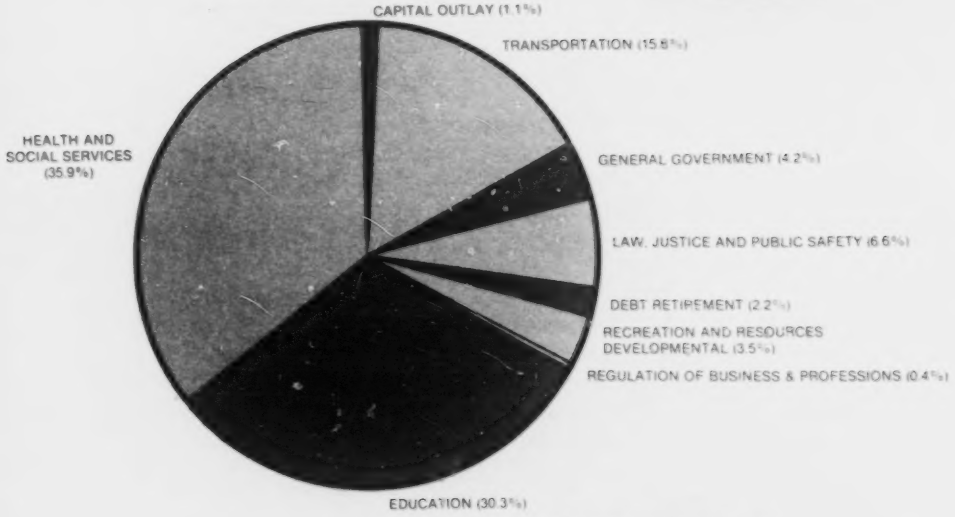
The State of Tennessee was awarded the Certificate of Conformance by the Government Finance Officers Association of the United States and Canada for its Annual Financial Report for the year ended June 30, 1984. Tennessee, Maryland and Illinois are the only states to currently hold a valid Certificate of Conformance.

STATE OF TENNESSEE
GRAPHIC PRESENTATION OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1985

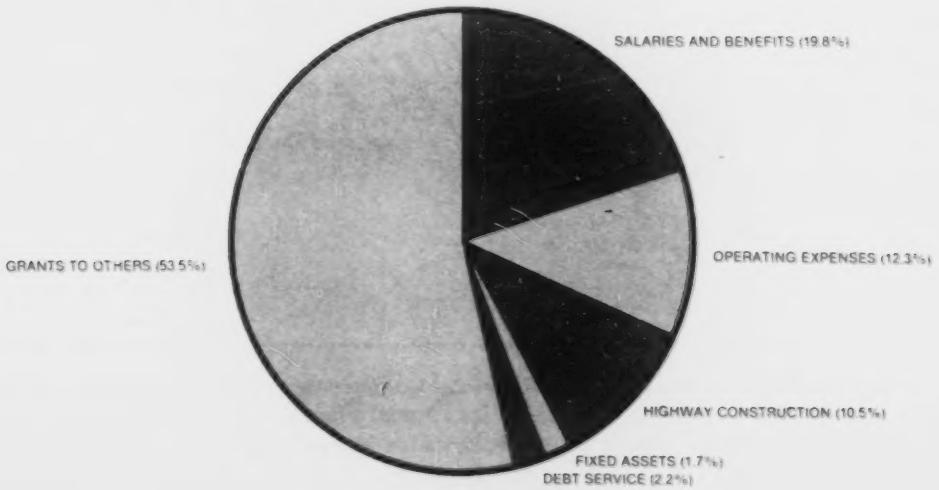
REVENUES BY SOURCE



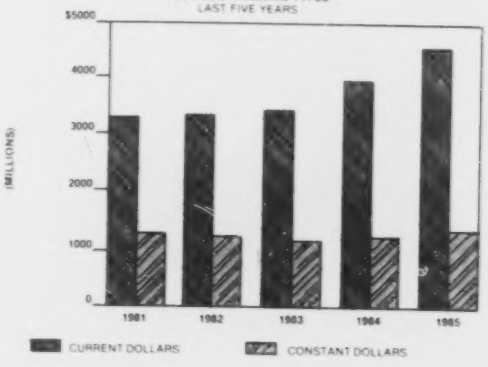
EXPENDITURES BY FUNCTION



EXPENDITURES BY OBJECT

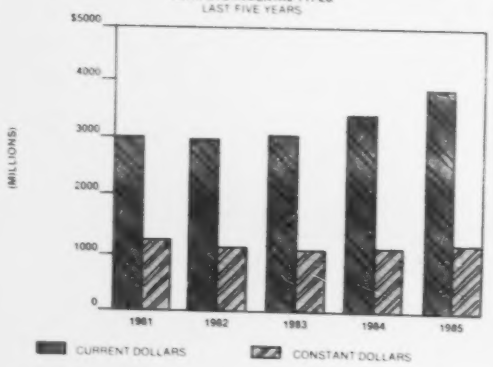


STATE OF TENNESSEE
REVENUES
ALL GOVERNMENTAL TYPES
LAST FIVE YEARS



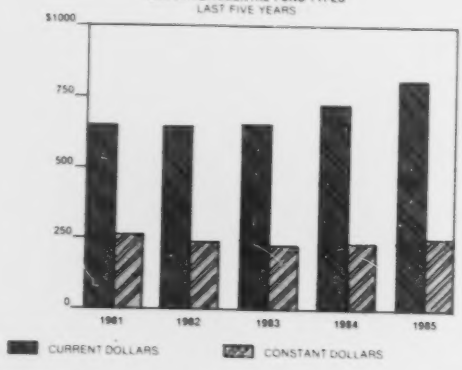
CURRENT DOLLARS	**$3,265**	**$3,323**	**$3,432**	**$3,945**	**$4,548**
CONSTANT DOLLARS (1967)	$1,322	$1,220	$1,189	$1,267	$1,411
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	4.5%	1.8%	3.3%	14.9%	15.3%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(7.9%)	(7.7%)	(2.5%)	6.5%	11.4%

STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL TYPES
LAST FIVE YEARS



CURRENT DOLLARS	**$3,000**	**$2,990**	**$3,043**	**$3,114**	**$3,850**
CONSTANT DOLLARS (1967)	$1,214	$1,098	$1,055	$1,096	$1,195
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CURRENT DOLLARS	3.8%	(0.3%)	1.8%	12.2%	12.8%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(8.6%)	(9.6%)	(3.9%)	3.9%	9.0%

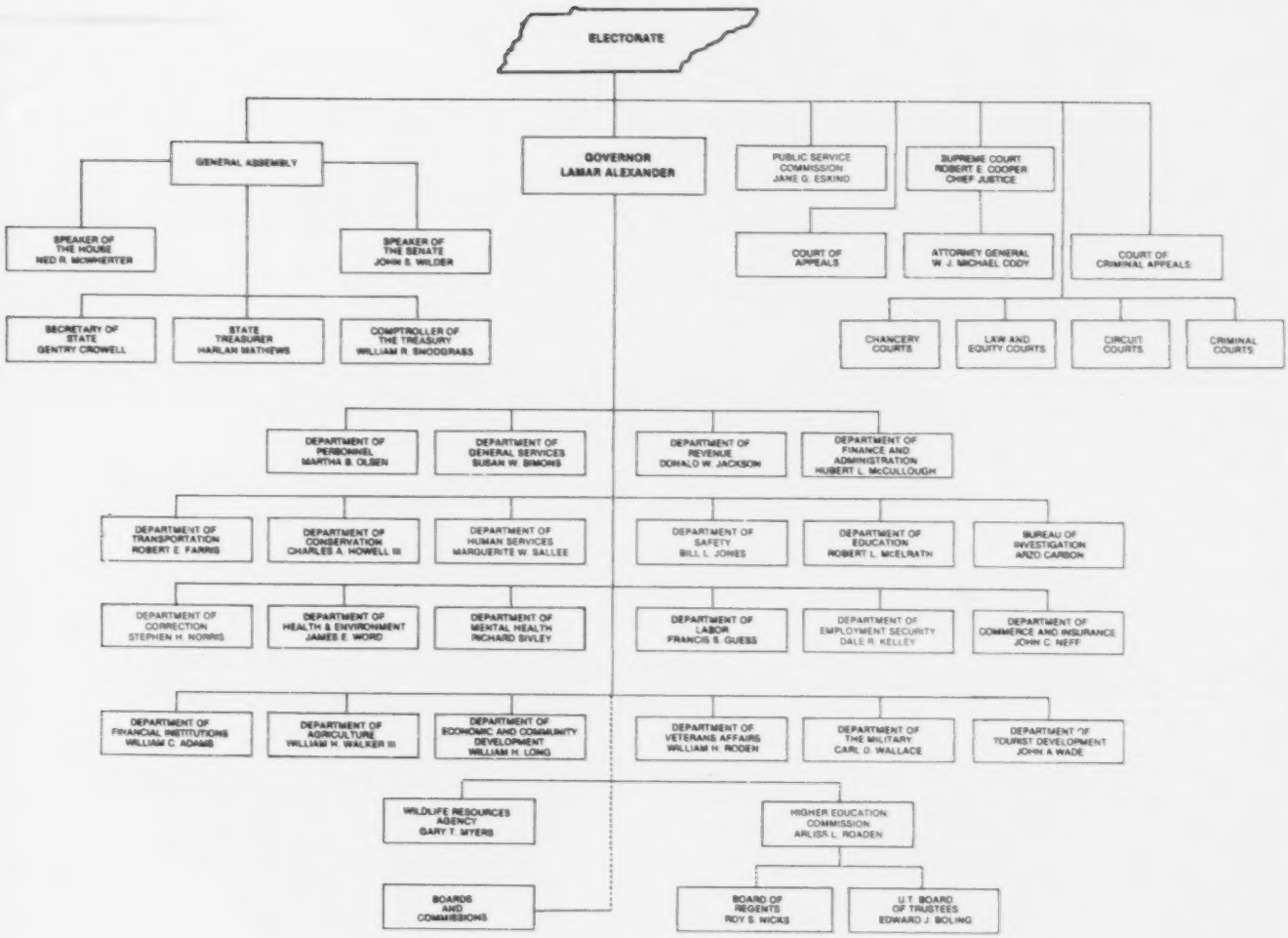
STATE OF TENNESSEE
PER CAPITAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



CURRENT DOLLARS	**$650**	**$645**	**$651**	**$723**	**$806**
CONSTANT DOLLARS (1967)	$263	$237	$226	$232	$250
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CURRENT DOLLARS	3.5%	(0.8%)	0.9%	11.1%	11.4%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(8.7%)	(9.9%)	(4.6%)	2.7%	7.7%

NOTE: EXPENDITURES EXPRESSED IN CONSTANT DOLLARS WERE DERIVED BY USING THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS.

STATE OF TENNESSEE
ORGANIZATION CHART
1985



Financial Section

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219-5047
PHONE (615) 741-2687

November 6, 1985

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the combined financial statements of the State of Tennessee and the combining and individual financial statements of the funds and account groups of the State as of and for the year ended June 30, 1985 as listed in the foregoing table of contents. Our examination was made in accordance with generally accepted government auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements present fairly the financial position of the State of Tennessee at June 30, 1985 and the results of its operations and the changes in financial position of proprietary and similar trust fund types for the year then ended and the combining and individual financial statements of the funds and account groups present fairly the financial position of the individual funds of the State of Tennessee at June 30, 1985 and the results of their operations and the changes in financial position of the proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The statistical and economic data, listed in the foregoing table of contents, were not audited by us and, accordingly, we do not express an opinion thereon.

Respectfully,

Frank L. Greathouse

Frank L. Greathouse, CPA, Director
Division of State Audit

FLG/jr

General Purpose Financial Statements

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1985

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
CASH AND CASH EQUIVALENTS	$ 341,645	$ 262,461	$ 4,725	$ 171,456
CASH ON DEPOSIT WITH FISCAL AGENTS				
INVESTMENTS				
RECEIVABLES (Note 1)	155,226	62,346		2,376
INTERFUND RECEIVABLES (Note 2)		2,800		7,159
INVENTORIES		5,799		
PREPAYMENTS				
LAND				
STRUCTURES AND IMPROVEMENTS				
MACHINERY AND EQUIPMENT				
LESS - ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND				
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG - TERM OBLIGATIONS				
DEFERRED CHARGES AND OTHER				
TOTAL ASSETS	**$ 496,871**	**$ 333,406**	**$ 4,725**	**$ 180,991**
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
WARRANTS PAYABLE	$ 71,639	$ 23,308	$ 10	$ 1,968
ACCOUNTS PAYABLE AND ACCRUALS	156,603	58,710	962	8,190
INTERFUND PAYABLES (Note 2)	4,940	891		1,695
NOTES PAYABLE (Note 3)				67,770
BONDS PAYABLE (Note 3)				
CALL PREMIUMS PAYABLE				
LEASE OBLIGATIONS PAYABLE (Note 3)				
DEFERRED REVENUE	537	2,873		266
OTHER	33	7,079		
TOTAL LIABILITIES	**233,752**	**92,861**	**972**	**79,889**
FUND EQUITY (Note 2):				
CONTRIBUTED CAPITAL				
INVESTMENT IN FIXED ASSETS				
RETAINED EARNINGS:				
RESERVED FOR BOND RETIREMENT				
RESERVED FOR SEWAGE TREATMENT LOANS				
UNRESERVED				
FUND BALANCES (Note 1):				
RESERVED FOR:				
RELATED ASSETS		5,799		
ENCUMBRANCES AND CONTRACTS	13,593	148,853		55,923
CONTINUING APPROPRIATIONS	39,944			
OTHER SPECIFIC PURPOSES	9,144	75,351		45,179
UNRESERVED:				
DESIGNATED FOR REVENUE FLUCTUATIONS	75,000			
DESIGNATED FOR CLAIMS AGAINST THE STATE	3,000			
DESIGNATED FOR HIGHWAY CONSTRUCTION		10,542		
DESIGNATED FOR DEBT SERVICE			3,753	
DESIGNATED FOR TRUST PURPOSES				
DESIGNATED FOR COLLEGES AND UNIVERSITIES				
DESIGNATED FOR OTHER SPECIFIC PURPOSES	122,057			
UNDESIGNATED	381			
TOTAL FUND EQUITY	**263,119**	**240,545**	**3,753**	**101,102**
TOTAL LIABILITIES AND FUND EQUITY	**$ 496,871**	**$ 333,406**	**$ 4,725**	**$ 180,991**

See accompanying Notes to the Financial Statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTALS (MEMORANDUM ONLY)	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM OBLIGATIONS (Note 3)	COLLEGE AND UNIVERSITY	JUNE 30, 1985	JUNE 30, 1984
$ 136,673	$ 24,449	$ 723,030			$ 236,196	$ 1,900,635	$ 1,518,457
68,850	821	338,666			24,860	433,197	215,308
119,351	52,574	3,552,354			64,002	3,788,281	3,324,206
844,763	8	182,635			105,417	1,352,771	1,239,158
29	85	16,465			15,549	42,087	21,555
4	334				17,449	23,586	25,105
	34				2,764	2,798	1,703
29	1,468		$ 56,316		51,099	108,912	104,497
85	12,301		640,541		1,055,932	1,708,859	1,651,703
517	44,538	9	167,411		413,567	626,042	571,827
(364)	(26,107)	(4)				(26,475)	(25,894)
			17,754		26,689	44,443	30,491
				$ 3,753		3,753	6,574
				541,840		541,840	576,083
1,136	237				1,717	3,090	3,873
$ 1,171,073	**$ 110,742**	**$ 4,813,155**	**$ 882,022**	**$ 545,593**	**$ 2,015,241**	**10,553,819**	**$ 9,264,646**
$ 1,382	$ 453	$ 14,975				$ 113,735	$ 80,846
50,857	3,514	187,149		$ 64,807	$ 85,052	615,844	555,495
23	79	13,797			20,662	42,087	21,555
90,200					20,950	178,920	168,883
953,018	52,300			480,695	245,477	1,731,490	1,551,290
	1,533					1,533	1,533
				91	15,825	15,916	16,842
3,076	771	6,123			22,281	35,927	28,142
		174,036			19,951	201,099	240,811
1,098,556	**58,650**	**396,080**		**545,593**	**430,198**	**2,936,551**	**2,665,397**
707	40,580	25,269				66,556	34,409
			$ 882,022		1,268,385	2,150,407	2,047,520
13,282						13,282	14,647
1,000						1,000	
57,528	11,512					69,040	53,620
					43,019	48,818	44,023
					12,479	230,848	210,418
		4,367,945				39,944	7,497
					184,974	4,682,593	3,956,368
						75,000	50,000
						3,000	3,000
						10,542	17,523
		23,861				3,753	6,574
					4,932	28,793	11,902
					71,254	71,254	88,502
						122,057	72,687
						381	559
72,517	**52,092**	**4,417,075**	**882,022**		**1,585,043**	**7,617,268**	**6,599,249**
$ 1,171,073	**$ 110,742**	**$ 4,813,155**	**$ 882,022**	**$ 545,593**	**$ 2,015,241**	**$ 10,553,819**	**$ 9,264,646**

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	JUNE 30, 1985	JUNE 30, 1984
REVENUES:							
TAXES	$2,416,622	$ 254,526	$ 105,767		$ 265,936	$ 3,042,851	$ 2,640,761
LICENSES, FEES AND PERMITS	41,149	23,221				64,370	60,320
INTEREST ON INVESTMENTS	77,935				34,464	112,399	68,805
FEDERAL	1,082,807	283,215	92	$ 6,711	28,123	1,400,948	1,367,460
DEPARTMENTAL SERVICES	222,242	22,160		844		245,246	215,753
CONTRIBUTIONS					90,950	90,950	75,897
OTHER	5,733	4,540			2,372	12,645	11,011
TOTAL REVENUES	3,846,488	587,662	105,859	7,555	421,845	4,969,409	4,440,007
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	152,932	8,683			81,954	243,569	204,762
EDUCATION	1,166,900	979				1,167,879	981,080
HEALTH AND SOCIAL SERVICES	1,378,644	1,942			196,149	1,576,735	1,513,831
LAW, JUSTICE AND PUBLIC SAFETY	256,135	108				256,243	212,925
RECREATION AND RESOURCES DEVELOPMENT	119,215	17,059				136,274	112,285
REGULATION OF BUSINESS AND PROFESSIONS	15,920					15,920	13,566
TRANSPORTATION		606,783				606,783	544,367
DEBT SERVICE			83,440			83,440	87,640
CAPITAL OUTLAY				41,211		41,211	31,537
TOTAL EXPENDITURES	3,089,746	635,554	83,440	41,211	278,103	4,128,054	3,701,993
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	756,742	(47,892)	22,419	(33,656)	143,742	841,355	738,014
OTHER FINANCING SOURCES (USES):							
OPERATING TRANSFERS IN		16,894	2,860	104,637		124,391	41,227
OPERATING TRANSFERS OUT	(639,824)		(28,100)	(24,301)		(692,225)	(464,349)
TOTAL OTHER FINANCING SOURCES (USES)	(639,824)	16,894	(25,240)	80,336		(567,834)	(423,122)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	116,918	(30,998)	(2,821)	46,680	143,742	273,521	314,892
FUND BALANCES, JULY 1 (Note 2)	172,942	271,543	6,574	54,422	281,773	787,254	472,353
EQUITY TRANSFERS, NET	(26,741)					(26,741)	9
FUND BALANCES, JUNE 30 (Note 2)	$ 263,119	$ 240,545	$ 3,753	$ 101,102	$ 425,515	$ 1,034,034	$ 787,254

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1985	JUNE 30, 1984
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 1,688	$ 34,608			$ 36,296	$ 38,369
CONTRIBUTIONS				$ 397,762	397,762	352,260
INVESTMENT INCOME	88,362	3,374	$ 2,221	294,873	388,830	379,976
DISCOUNT AMORTIZATION				59,323	59,323	34,797
INTERGOVERNMENTAL	8,183				8,183	8,544
OTHER		95	1,122		1,217	1,145
TOTAL OPERATING REVENUES	**98,233**	**38,077**	**3,343**	**751,958**	**891,611**	**815,091**
OPERATING EXPENSES:						
PERSONAL SERVICES	2,588	9,875			12,463	11,295
CONTRACTUAL SERVICES	3,359	4,327		17,598	25,284	20,975
MATERIALS AND SUPPLIES	448	6,867			7,315	11,347
RENTALS AND INSURANCE	104	5,261			5,365	4,387
INTEREST	79,477	2,909			82,386	64,955
DEPRECIATION AND AMORTIZATION	433	6,150			6,583	5,388
BENEFITS				185,665	185,665	168,412
REFUNDS				22,774	22,774	23,259
OTHER	527	181	1,211		1,919	1,601
TOTAL OPERATING EXPENSES	**86,936**	**35,570**	**1,211**	**226,037**	**349,754**	**311,619**
OPERATING INCOME	11,297	2,507	2,132	525,921	541,857	503,472
NONOPERATING REVENUES (EXPENSES)	250		(6,406)		(6,156)	(3,565)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	11,547	2,507	(4,274)	525,921	535,701	499,907
OPERATING TRANSFERS IN	1,000	2	7,333	50,000	58,335	6,166
INCOME BEFORE EXTRAORDINARY ITEM	12,547	2,509	3,059	575,921	594,036	506,073
EXTRAORDINARY CHARGE						(2,129)
NET INCOME/CHANGE IN RETAINED EARNINGS	**12,547**	**2,509**	**3,059**	**575,921**	**594,036**	**503,944**
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFERS IN (OUT)		9,616	18,000		27,616	(9)
CONTRIBUTED FIXED ASSETS	114	1,041			1,155	166
CHARGE FROM REASSIGNMENT OF OPERATIONS TO GENERAL FUND						(3,290)
CONTRIBUTIONS FROM PRIVATE SOURCES			3,375		3,375	
NET CHANGE IN FUND EQUITY	12,661	13,166	24,434	575,921	626,182	500,811
FUND EQUITY, JULY 1 (Note 2)	59,856	38,926	15,614	3,375,591	3,489,987	2,989,176
FUND EQUITY, JUNE 30	**$ 72,517**	**$ 52,092**	**$ 40,048**	**$ 3,951,512**	**$ 4,116,169**	**$ 3,489,987**

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1985	JUNE 30, 1984
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
INCOME BEFORE EXTRAORDINARY ITEM	$ 12,547	$ 2,509	$ 3,059	$ 575,921	$ 594,036	$ 506,073
ITEMS NOT PROVIDING/REQUIRING WORKING CAPITAL:						
DISCOUNT AMORTIZATION				(59,323)	(59,323)	(34,797)
DEPRECIATION AND AMORTIZATION	433	6,150			6,583	5,388
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEM	12,980	8,659	3,059	516,598	541,296	476,664
EXTRAORDINARY ITEM - EARLY RETIREMENT OF BONDS, INCLUDING EXTRAORDINARY CHARGE OF $2,129 in 1984						(109,000)
WORKING CAPITAL PROVIDED BY OPERATIONS	12,980	8,659	3,059	516,598	541,296	367,664
PROCEEDS FROM SALE OF BONDS	247,118				247,118	138,481
DISPOSAL OF MACHINERY AND EQUIPMENT	3	678			681	1,093
DECREASE IN LOANS TO OTHER GOVERNMENTS	4,616				4,616	5,090
SALE OF LONG-TERM INVESTMENTS						2,065
EQUITY TRANSFER IN		9,810	18,000		27,810	
CONTRIBUTIONS FROM PRIVATE SOURCES			3,375		3,375	
TOTAL SOURCES OF WORKING CAPITAL	264,717	19,147	24,434	516,598	824,896	514,393
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	45,406	79		442,503	487,988	332,494
INCREASE IN NONCURRENT RECEIVABLES	117,855				117,855	91,129
INCREASE IN DEFERRED CHARGES	281				281	271
ACQUISITION OF FIXED ASSETS	9	10,611			10,620	6,348
DECREASE IN LONG-TERM DEBT	27,664				27,664	19,209
EQUITY TRANSFER OUT		194			194	9
CHARGE FROM REASSIGNMENT OF OPERATIONS TO GENERAL FUND						3,290
TOTAL USES OF WORKING CAPITAL	191,215	10,884		442,503	644,602	452,750
NET INCREASE IN WORKING CAPITAL	$ 73,502	$ 8,263	$ 24,434	$ 74,095	$ 180,294	$ 61,643
ELEMENTS OF NET INCREASE IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 14,556	$ 9,854	$ 24,829	$ 80,955	$ 130,194	$ (41,954)
CASH ON DEPOSIT WITH FISCAL AGENT	68,850	4			68,854	(3,392)
INVESTMENTS				(94,950)	(94,950)	(10,730)
RECEIVABLES	21,643	1	67	(7,450)	14,261	44,937
INTERFUND RECEIVABLES	29	(79)		5,158	5,108	211
INVENTORIES	(1)	(8)			(9)	(3,564)
PREPAID EXPENSES		(10)			(10)	25
WARRANTS PAYABLE	(157)	(46)	(405)	167	(441)	201
ACCOUNTS PAYABLE AND ACCRUALS	(15,428)	(1,283)	(56)	(4,735)	(21,502)	(6,783)
INTERFUND PAYABLES	(5)	(16)	(1)		(22)	6
NOTES PAYABLE	(11,920)				(11,920)	74,202
CURRENT PORTION OF LONG-TERM DEBT	(4,077)				(4,077)	(2,085)
OTHER	12	(154)		94,950	94,808	10,569
NET INCREASE IN WORKING CAPITAL	$ 73,502	$ 8,263	$ 24,434	$ 74,095	$ 180,294	$ 61,643

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

			TOTALS FOR THE YEAR ENDED	
	UNRESTRICTED	RESTRICTED	JUNE 30, 1985	JUNE 30, 1984
REVENUES:				
EDUCATIONAL AND GENERAL:				
TUITION AND FEES	$ 134,325		$ 134,325	$ 125,205
FEDERAL APPROPRIATIONS	17,256		17,256	19,699
LOCAL APPROPRIATIONS	1,237		1,237	1,200
FEDERAL GRANTS AND CONTRACTS	10,994	$ 117,501	128,495	106,225
STATE GRANTS AND CONTRACTS	941	9,647	10,588	12,414
LOCAL GRANTS AND CONTRACTS	2,943	2,149	5,092	3,307
PRIVATE GIFTS, GRANTS AND CONTRACTS	3,557	34,781	38,338	32,619
ENDOWMENT INCOME	474	3,741	4,215	3,395
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	30,060		30,060	25,838
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	218,673	2,616	221,289	195,259
OTHER SOURCES	24,003	9	24,012	20,934
TOTAL REVENUES	444,463	170,444	614,907	546,095
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	352,569	43,956	396,525	345,732
RESEARCH	23,112	46,112	69,224	54,594
PUBLIC SERVICE	34,179	34,388	68,567	50,136
ACADEMIC SUPPORT	70,486	5,349	75,835	63,312
STUDENT SERVICES	52,649	1,911	54,560	48,266
INSTITUTIONAL SUPPORT	83,504	2,402	85,906	74,212
OPERATION AND MAINTENANCE OF PLANT	74,435	419	74,854	68,817
SCHOLARSHIPS AND FELLOWSHIPS	6,296	39,901	46,197	44,010
EDUCATIONAL AND GENERAL EXPENDITURES	697,230	174,438	871,668	749,079
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	2,071		2,071	1,898
ENDOWMENT FUND	26		26	76
LOAN FUND MATCHING GRANT	122		122	149
NON-MANDATORY TRANFERS FOR:				
UNEXPENDED PLANT FUNDS	8,644		8,644	1,585
RENEWALS AND REPLACEMENTS	1,675		1,675	3,956
RETIREMENT OF INDEBTEDNESS	(1,155)		(1,155)	(330)
AUXILIARY ENTERPRISE AND HOSPITALS	(1,237)		(1,237)	(2,394)
STATE GENERAL FUND	(474,987)	(7,486)	(482,473)	(395,754)
STATE CHAIRS OF EXCELLENCE TRUST FUND		875	875	
TOTAL EDUCATIONAL AND GENERAL	232,389	167,827	400,216	358,265
AUXILIARY ENTERPRISES AND HOSPITALS:				
EXPENDITURES	193,781	2,617	196,398	175,939
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	14,570		14,570	9,585
RENEWALS AND REPLACEMENTS	21		21	23
NON-MANDATORY TRANSFERS FOR:				
RENEWALS AND REPLACEMENTS	3,220		3,220	1,827
UNEXPENDED PLANT FUNDS	4,419		4,419	3,774
PRINCIPAL AND INTEREST				1,476
EDUCATIONAL AND GENERAL FUNDS	1,237		1,237	2,394
TOTAL AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES AND TRANSFERS	217,248	2,617	219,865	195,018
TOTAL CURRENT EXPENDITURES	449,637	170,444	620,081	553,283
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):				
EXCESS OF RESTRICTED OVER TRANSFER TO REVENUE		17,116	17,116	15,354
INDIRECT COST RECOVERIES		(12,186)	(12,186)	(10,855)
TRANSFERS FROM (TO) OTHER FUNDS	(931)	(433)	(1,364)	(338)
REFUNDED TO GRANTORS		(446)	(446)	(225)
OTHER ADDITIONS (DEDUCTIONS)	1,692	(283)	1,409	322
NET INCREASE IN FUND BALANCES	$ (4,413)	$ 3,768	$ (645)	$ (2,930)

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	CURRENT FUNDS			ENDOWMENT AND	
	UNRESTRICTED	RESTRICTED	LOAN	SIMILAR	LIFE INCOME
REVENUES AND OTHER ADDITIONS:					
EDUCATIONAL AND GENERAL REVENUES	$ 225,790				
AUXILIARY ENTERPRISES AND HOSPITALS	218,673				
GRANTS AND CONTRACTS-RESTRICTED		$174,593	$ 1,171	$ 4,599	$ 189
GIFTS AND REQUESTS-RESTRICTED		8,572	61	206	
REALIZED GAINS ON INVESTMENTS				1,825	219
INTEREST ON LOANS RECEIVABLE			1,183		
INVESTMENT INCOME - RESTRICTED		135	148	14	1,019
ENDOWMENT INCOME		2,573	67	532	
BONDS AND NOTES ISSUED					
RETIREMENT OF INDEBTEDNESS					
EQUIPMENT USE CHARGES					
STUDENT DEBT SERVICE FEES					
EXPENDED FOR PLANT FACILITIES					
OTHER	1,720	13	166	68	
TOTAL REVENUES AND OTHER ADDITIONS	446,183	185,886	2,796	7,244	1,427
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	697,230	174,438			
AUXILIARY ENTERPRISES EXPENDITURES	193,781	2,617			
INDIRECT COSTS RECOVERED		12,186	4		
REFUNDED TO GRANTORS		446	92		
LOAN CANCELLATIONS AND WRITE-OFFS			664		
ADMINISTRATIVE AND COLLECTION COSTS			330		
EXPENDED FOR PLANT FACILITIES					
RETIREMENT OF INDEBTEDNESS					
INTEREST ON INDEBTEDNESS					
DISPOSAL OF PLANT FACILITIES					
PAYMENTS TO BENEFICIARIES					868
BONDS AND NOTES ISSUED					
OTHER	28	296	286	7	11
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	891,039	189,983	1,376	7	879
TRANSFERS AMONG FUNDS ADDITIONS (DEDUCTIONS):					
MANDATORY:					
PRINCIPAL AND INTEREST	(16,641)				
LOAN FUND MATCHING GRANT	(122)		122		
ENDOWMENT FUNDS	(26)	5		183	(162)
RENEWALS AND REPLACEMENTS	(21)				
RESTRICTED CURRENT FUND		(347)		518	(433)
NON-MANDATORY:					
RESTRICTED CURRENT FUNDS	(38)	38			
ENDOWMENT FUNDS	(893)	21		872	
UNEXPENDED PLANT FUNDS	(13,063)	(150)	(1)		
RENEWALS AND REPLACEMENTS	(4,895)				
RETIREMENT OF INDEBTEDNESS	1,155				
STATE GENERAL FUND	474,987	9,173			
STATE CHAIRS OF EXCELLENCE TRUST FUND		(875)			
TOTAL TRANSFERS AMONG FUNDS	440,443	7,865	121	1,573	(595)
NET INCREASE (DECREASE) FOR THE YEAR	(4,413)	3,768	1,541	8,810	(47)
FUND BALANCES, JULY 1	63,374	27,993	40,415	40,213	13,567
FUND BALANCES, JUNE 30	$ 58,961	$ 31,761	$ 41,956	$ 49,023	$ 13,520

See accompanying Notes to the Financial Statements.

PLANT FUNDS				TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
UNEXPENDED PLANT	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	JUNE 30, 1985	JUNE 30, 1984
				$ 225,790	$ 207,661
				218,673	192,521
$ 8,378		$ 398	$ 136	189,464	157,137
6,258	$ 6	2,914	606	18,623	10,362
		18		2,062	1,565
				1,183	792
1,775	1,136	3,784		8,011	8,153
				3,172	2,775
33,715				33,715	
44	576		16,296	16,916	5,283
	2,904			2,904	1,649
		4,790		4,790	4,432
			112,044	112,044	103,302
637	858	133	2,179	5,774	2,360
50,807	5,480	12,037	131,261	843,121	697,992
				871,668	749,079
				196,398	175,939
				12,190	10,855
				538	270
				664	1,024
		14		344	389
55,027	7,134			62,161	44,792
	90	14,592		14,682	5,283
	12	16,447	74	16,533	17,317
			20,616	20,616	21,236
				868	837
230			38,233	38,463	250
626	298	560	5,554	7,666	8,062
55,883	7,534	31,613	64,477	1,242,791	1,035,333
(10)		16,651			
	21				
262					
14,586	(1,372)				
	2,231	2,664			
		(1,155)			
21,711		3,628		509,499	416,956
				(875)	
36,549	880	21,788		508,624	416,956
31,473	(1,174)	2,212	66,784	108,954	79,615
28,302	19,403	41,221	1,201,601	1,476,089	1,396,474
$ 59,775	$ 18,229	$ 43,433	$1,268,385	$ 1,585,043	$ 1,476,089

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND AND ALL SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 162,692	$ 162,692	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	7,278	7,278	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	169,970	169,970	
REVENUES:			
TAXES	2,405,200	2,411,290	$ 6,090
LICENSES, FEES AND PERMITS	41,340	41,149	(191)
INTEREST ON INVESTMENTS	70,400	77,935	7,535
FEDERAL	1,257,237	1,079,862	(177,375)
DEPARTMENTAL SERVICES	228,004	222,079	(5,925)
OTHER	2,300	5,733	3,433
OTHER FINANCING SOURCES - TRANSFERS IN			
TOTAL SOURCES OF FINANCIAL RESOURCES	**4,174,451**	**4,008,018**	**(166,433)**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
LEGISLATIVE	11,047	9,200	1,847
SECRETARY OF STATE	14,646	12,522	2,124
COMPTROLLER	25,137	22,235	2,902
TREASURER	10,394	10,136	258
PUBLIC SERVICE COMMISSION			
GOVERNOR	2,841	2,637	204
COMMISSIONS	31,244	29,488	1,756
FINANCE AND ADMINISTRATION	5,086	4,548	538
PERSONNEL	4,269	3,946	323
GENERAL SERVICES	16,173	15,361	812
REVENUE	31,933	31,097	836
OTHER GENERAL GOVERNMENT	15,848	13,124	2,724
EDUCATION	1,199,720	1,167,503	32,217
VETERANS AFFAIRS	1,111	1,054	57
EMPLOYMENT SECURITY	50,947	40,738	10,209
LABOR	69,319	55,441	13,878
MENTAL HEALTH AND MENTAL RETARDATION	206,711	200,525	6,186
HEALTH AND ENVIRONMENT	879,173	743,549	135,624
HUMAN SERVICES	361,132	334,059	27,073
JUDICIAL	40,861	38,955	1,906
CORRECTION	161,263	155,648	5,615
MILITARY	22,273	15,230	7,043
BUREAU OF CRIMINAL INVESTIGATION	8,605	7,950	655
SAFETY	49,733	44,249	5,484
AGRICULTURE	14,782	12,414	2,368
TOURIST DEVELOPMENT	7,442	7,012	430
CONSERVATION	64,212	53,399	10,813
WILDLIFE RESOURCES			
ECONOMIC AND COMMUNITY DEVELOPMENT	68,927	49,107	19,820
COMMERCE AND INSURANCE	13,841	12,773	1,068
FINANCIAL INSTITUTIONS	3,369	3,186	183
TRANSPORTATION			
OTHER FINANCING USES - TRANSFERS OUT	666,565	666,565	
TOTAL USES OF FINANCIAL RESOURCES	**4,058,604**	**3,763,651**	**294,953**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 115,847**	**$ 244,367**	**$ 128,520**

See accompanying Notes to the Financial Statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 43,471	$ 43,471		$ 206,163	$ 206,163	
283,263	283,263		290,541	290,541	
326,734	326,734		496,704	496,704	
251,100	254,526	$ 3,426	2,656,300	2,665,816	$ 9,516
16,860	23,221	6,361	58,200	64,370	6,170
			70,400	77,935	7,535
286,697	286,250	(447)	1,543,934	1,366,112	(177,822)
19,624	20,513	889	247,628	242,592	(5,036)
3,700	4,540	840	6,000	10,273	4,273
17,249	17,249		17,249	17,249	
921,964	**933,033**	**11,069**	**5,096,415**	**4,941,051**	**(155,364)**
			11,047	9,200	1,847
			14,646	12,522	2,124
			25,137	22,235	2,902
3,275	3,275		13,669	13,411	258
5,441	5,401	40	5,441	5,401	40
			2,841	2,637	204
			31,244	29,488	1,756
			5,086	4,548	538
			4,269	3,946	323
			16,173	15,361	812
			31,933	31,097	836
			15,848	13,124	2,724
1,000	979	21	1,200,720	1,168,482	32,238
			1,111	1,054	57
			50,947	40,738	10,209
			69,319	55,441	13,878
			206,711	200,525	6,186
5,077	1,962	3,115	884,250	745,511	138,739
			361,132	334,059	27,073
			40,861	38,955	1,906
			161,263	155,648	5,615
			22,273	15,230	7,043
			8,605	7,950	655
194	113	81	49,927	44,362	5,565
			14,782	12,414	2,368
			7,442	7,012	430
			64,212	53,399	10,813
18,434	17,514	920	18,434	17,514	920
			68,927	49,107	19,820
			13,841	12,773	1,068
			3,369	3,186	183
865,285	862,919	2,366	865,285	862,919	2,366
355	355		666,920	666,920	
899,061	**892,518**	**6,543**	**4,957,665**	**4,656,169**	**301,496**
$ 22,903	**$ 40,515**	**$ 17,612**	**$ 138,750**	**$ 284,882**	**$ 146,132**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements of the State of Tennessee have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the College and University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Financial Reporting Entity - For financial reporting purposes the State of Tennessee entity includes all fund types, account groups, departments and agencies of the state, as well as boards, commissions, authorities, colleges and universities, over which the state's executive, legislative and judicial branches exercise oversight responsibility. This is in accordance with National Council on Government Accounting Statement 3 which has been adopted by the Governmental Accounting Standards Board in their Statement 1. Oversight responsibility is defined to include the following considerations:

1. Selection of governing authority;
2. Designation of management;
3. Ability to significantly influence operations;
4. Accountability for fiscal matters;
5. Scope of public service; and/or
6. Special financing relationships.

C. Fund Structure and Basis of Accounting - The accompanying financial statements are structured into four categories of funds and a fifth type of accounting entity, account groups. The fund categories include governmental funds, proprietary funds, fiduciary funds and college and university funds. Account groups are presented for general fixed assets and general long-term obligations.

The state's governmental funds include:

1. the General Fund - used to account for all financial transactions not accounted for in another fund;
2. the Special Revenue Funds - used to account for specific revenues earmarked to finance particular programs and activities;
3. the Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. the Capital Projects Fund - used to account for the acquisition or construction of all major governmental general fixed assets.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Principal revenue sources accounted for on the modified accrual basis include federal grants ($1.4 billion), departmental services ($242 million) and interest on investments ($78 million). Sales taxes ($1.7 billion), petroleum and vehicular-related taxes and fees, licenses, gross receipts taxes and other miscellaneous revenue sources are accounted for on the cash basis. Expenditures are recorded at the time fund liabilities are incurred except:

a. Inventories generally are considered expenditures at acquisition;
b. Prepayments usually are not recorded; and
c. Interest on long-term debt is recorded when due.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end are reported as reservations of fund balance for subsequent year expenditure.

The proprietary funds include:

1. the Enterprise Funds - used to account for the operations of self-sustaining state agencies rendering service to the general public on a user charge basis; and
2. the Internal Service Funds - used to account for the operations of self-sustaining state agencies rendering services to other state agencies on a cost reimbursement basis.

The proprietary funds are accounted for on the accrual basis of accounting.

The fiduciary funds include the Trust and Agency Funds which are used to account for assets held by the state as trustee or agent. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis of accounting. Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting.

The college and university funds include:

1. Current Funds - used to refer to resources that will be expended in the near term for operating purposes. These include unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university funds are accounted for on the accrual basis of accounting with the following exceptions:

a. Depreciation expense related to plant fund assets is not recorded; and
b. Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the term is predominantly conducted.

The account group for general fixed assets is maintained to account for all fixed assets acquired or constructed for use by the state, other than those accounted for in the proprietary, fiduciary and college and university funds. The account group for general long-term obligations is maintained to account for general obligation bonds outstanding, accrued annual and compensatory leave, and capital lease obligations not otherwise recorded in proprietary, fiduciary and college and university funds.

D. Budgetary Process - Legislation requires the Governor to present his proposed budget to the General Assembly at the beginning of each annual session. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effected with certain executive and legislative branch approval. Only the legislature, however, may transfer appropriations between departments.

Unencumbered appropriations lapse at the end of each fiscal year. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $22.7 million were required.

The state's annual budget is prepared on the modified accrual basis of accounting with several exceptions, principally the effect of (1) encumbrance and contract obligations and (2) certain revenue and expenditure accruals. Because these exceptions represent departures from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary and GAAP bases is presented in Note 2. The budgetary comparison statement includes the General Fund and all Special Revenue Funds.

E. Cash and Cash Equivalents - In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements and U. S. Treasury bills, bonds and notes. These investments are stated at cost which at June 30, 1985 approximated market. Collateral, as required by law, is pledged by the various banks and government securities dealers to guarantee state funds placed with them. In addition, the state is custodian for other securities, not reported in the accompanying financial statements, which collateralize contractor/vendor performance.

F. Investments - This classification includes long-term investments, principally the Pension Trust Fund portfolio, which are stated at cost or amortized cost aggregating $3.8 billion. At June 30, 1985 the market value of these investments approximated $4 billion. Debt securities included in this classification are expected to be held to maturity and redeemed at face value.

G. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of interest and federal revenues, both recorded when earned. The remaining governmental fund revenues are not considered susceptible to accrual prior to receipt; accordingly, most taxes, licenses, fees, permits and similar revenues are recognized on the cash basis. Certain Trust Fund receivables of $92 million, representing taxes and benefit overpayments, have been reduced by an $18 million allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University receivables of $128 million have been reduced by a $23 million uncollectible allowance.

H. Interfund Transactions - The state basically has four types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).
4. College and university interfund borrowings. These transactions represent borrowings of a temporary nature and are reported as assets of the college and university fund making the advance and as liabilities of the fund receiving the advance.

The composition of the state's interfund receivables and payables at June 30, 1985 is presented in Note 2.

I. Inventories - Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

J. Fixed Assets and Depreciation - General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

Enterprise, Internal Service and Nonexpendable Trust Fund fixed assets are stated at cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for Structures and Improvements and 5 to 10 years for Machinery and Equipment. Certain state land and buildings, headquartering several proprietary operations, are reported in the General Fixed Assets Account Group at cost or estimated historical cost as described above. Because of the advanced age of the buildings involved, the omission of these fixed assets and related depreciation is not deemed material to financial position or results of operations of the applicable Enterprise and Internal Service Funds.

Generally, College and University Fund fixed assets are stated at cost and are not depreciated. Because of the magnitude of library holdings, however, it has been the state's policy to value library books at a standard amount per volume, currently $20, which approximates cost.

A statement of changes in general fixed assets for the year ended June 30, 1985 is presented in Note 2.

K. Accumulated Unpaid Vacation and Sick Pay - The state's liability for accumulated unpaid annual and compensatory time is reported in the accompanying General Long-Term Obligations Account Group for all governmental fund types. In the proprietary fund types and the college and university funds, this obligation is reported as a current liability.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the state's policy to record the cost of sick leave only when paid. See Note 5A for disclosure of the amount of this contingency.

L. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories and petty cash are examples of the former. Reserves for encumbrances, contracts, continuing appropriations and other specific purposes (specific purpose reserves representing current and past legislative appropriations requiring June 30, 1985 segregation) are examples of the latter.

A summary of the nature and purpose of major reserves by fund type at June 30, 1985 follows (expressed in thousands).

Reserved For	General	Special Revenue	Capital Projects	Trust and Agency	College and University
Other Specific Purposes:					
Casualty Losses	$ 5,000				
Capital Outlay			$ 45,179		$ 52,610
Highway Construction		$ 53,195			
Wildlife Resources Program		12,459			
Hazardous Waste Program		4,702			
Unemployment Benefits				$ 405,286	
Pension Benefits				3,951,512	
Restricted Gifts, Grants and Contracts					132,364
Student Loan Program				10,065	
Higher Education Chairs of Excellence				1,082	
Other Non-Lapsing and Special Revenue Programs	4,144	4,995			
Totals	$ 9,144	$ 75,351	$ 45,179	$4,367,945	$ 184,974

The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations has been established as protection in the event of future revenue shortfalls or expenditure overruns. The designation for claims against the state is for general contingencies. The designation for other specific purposes represents the following appropriations made by the Legislature to carry out tentative managerial plans for fiscal year 1986 (expressed in thousands):

Capital Outlay and Bond Cancellation	$ 73,406
Higher Education	17,450
Local Bridges	10,000
Judges and Attorneys Retirement Plan	5,500
Housing Loan Program	2,500
Textbooks	2,500
Heritage of Music	2,500
Homecoming '86	2,000
Other	6,201
	$ 122,057

M. Totals - Memorandum Only - The "Totals - Memorandum Only" column represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Individual Fund Deficits - Although the following four individual funds have deficit retained earnings/fund balances as indicated at June 30, 1985, none of them have negative fund equity positions at that date (expressed in thousands):

Enterprise Funds		Internal Service Funds	College and University Funds
Federal Property Utilization	State Employees Cafeteria	Building Management	Current Unrestricted
$ (90)	$ (169)	$ (883)	$ (4,638)

Increases in charges for products and services are expected to eliminate these deficits in fiscal years 1986 and subsequent.

B. Budgetary Basis vs. GAAP - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and All Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	General Fund	All Special Revenue Funds
Fund Balances (Budgetary Basis), June 30, 1985	$ 244,367	$ 40,515
Add (Deduct):		
Accrued revenues	17,792	21,449
Accrued expenditures	(12,742)	(37,000)
Reserve for encumbrances and contracts	13,593	148,853
Other fund balance reserves	109	66,728
Fund Balances (GAAP Basis), June 30, 1985	$ 263,119	$ 240,545

There were no expenditures in excess of appropriations in the state's individual governmental funds for the year.

C. Fund Equity Restatement - During fiscal year 1985 the state effected several changes in accounting and reporting in order to more closely conform with generally accepted accounting principles. Changes included (1) the restatement of fixed assets in the Building Management Division, an Internal Service Fund, and the Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund; (2) the reclassification of claims incurred but unpaid from reserved fund balance to a liability of the Employee Group Insurance program, an Expendable Trust Fund; and (3) the reporting of accrued but unpaid leave as a liability of TSAC.

These changes have been reported in the accompanying financial statements by restating beginning fund equity as shown below (expressed in thousands). Corresponding restatement of 1984 amounts likewise has been effected to reflect the retroactive application of the adjustments.

	Internal Service Funds	Trust and Agency Funds		All Fund Types and Account Groups Totals (Memorandum Only)
		Expendable Trust	Nonexpendable Trust	
Fund Equity as previously reported, June 30, 1984	$ 39,542	$ 294,713	$ 15,638	$ 6,612,829
Restatement of fixed assets	(616)		5	(611)
Accrual of claims incurred but unpaid		(12,940)		(12,940)
Accrual of annual and compensatory leave			(29)	(29)
Fund Equity as restated, June 30, 1984	$ 38,926	$ 281,773	$ 15,614	$ 6,599,249

The effect of these restatements was not material to revenues and expenditures.

D. Changes in Reporting - In addition to the accounting changes described in C. above, two changes in financial reporting were effected in 1985, as follows:

1. In prior years, government securities held by the Tennessee Consolidated Retirement System (TCRS) as collateral for investment securities on loan (some $92 million in 1984), were reported as corresponding assets and liabilities of the Pension Trust Fund. Management believes this asset/liability presentation may be misleading to users of the accompanying financial statements; accordingly, the state has eliminated this year's amount (some $167 million) from the Pension Trust Fund balance sheet at June 30, 1985. This change, having no effect on fund balance or results of operations, is not considered material.
2. This year's format for reporting on the operations of colleges and universities in the accompanying financial statements has been changed to conform more closely to the model set forth by the National Association of College and University Business Officers (NACUBO). The principal effect of this change is to provide detailed information on operations by fund group.

E. General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 1985 is shown below (expressed in thousands).

	Land	Structures and Improvements	Machinery and Equipment	Construction in Progress	Totals
Balance, July 1, 1984	$ 53,596	$ 627,251	$ 156,260	$ 8,812	$ 845,919
Additions	2,870	18,300	24,052	20,943	66,165
Deductions	(150)	(5,010)	(12,901)	(12,001)	(30,062)
Balance, June 30, 1985	$ 56,316	$ 640,541	$ 167,411	$ 17,754	$ 882,022

F. Segment Information - Segment financial information for the state's Enterprise Funds for the year ended June 30, 1985 is presented below (expressed in thousands). These enterprise funds provide the following types of goods or services (in the order shown below): Housing loans, local government loans, sewage treatment loans, inactive, federal property distribution, and food service.

	Tenn. Housing Develop. Agency	Local Develop. Authority	State Loan Program	Housing Rehab. Corp.	Federal Property Utiliz.	State Employ. Cafeteria	Totals
Operating Revenues	$ 84,295	$ 7,726	$ 4,779	$ 47	$ 654	$ 732	$ 98,233
Depreciation and Amortization Expenses	406			1	21	5	433
Operating Income (Loss)	10,622	203	468	46	(12)	(30)	11,297
Operating Grants, Entitlements, and Shared Revenues	15,813						15,813
Net Income (Loss)	10,872	1,203	468	46	(12)	(30)	12,547
Property, Plant and Equipment:							
Additions	6				114	3	123
Deletions					12	13	25
Net Working Capital	88,010	(2,684)	6,816	491	193	28	92,854
Total Assets	935,674	156,066	78,217	491	499	126	1,171,073
Bonds and Other Long-Term Liabilities Payable from Operating Revenues	804,786	57,455	69,025				931,266
Total Equity	63,393	3,508	4,677	491	400	48	72,517

G. Interfund Accounts - A summary of interfund receivables and payables at June 30, 1985 is shown below (expressed in thousands).

	RECEIVABLES											
	Special Revenue Funds			Internal Service Funds				Trust and Agency Funds				
PAYABLES	Hwy.	Crim. Inj. Comp.	Cap. Proj. Fund	Fed. Prop. Util. Entpr. Fund	Motor Veh. Mngt.	Gen. Prntg.	Post. Svcs.	Empl. Secur.	Pension Trust	Contng. Revenue	College and Univer. Funds	Totals
General				$ 14	$ 42	$ 2		$ 50	$ 2,138	$ 2,620	$ 74	$ 4,940
Special Revenue:												
Highway									357	442		799
Wildlife Resrcs. Agency					2				40	44		86
Public Service Commission							$ 1					1
Other									2	3		5
Capital Projects											1,695	1,695
Enterprise:												
Housing Devel. Agency									7	9		16
Other									3	4		7
Internal Service:												
Information System Svcs.									23	30		53
Motor Vehicle Management									3	4		7
General Svcs. Printing									4	6		10
Building Mngt.									1	2		3
Communications Management									1	2		3
Other									1	2		3
Trust and Agency:												
Empl. Security					3							3
Local Gov't. Investment	$2,759	$ 41	$7,159								3,831	13,790
Student Assist. Corporation									2	2		4
College and Univ. Funds				15	34	1			5,733	4,930	9,949	20,662
Totals	$2,759	$ 41	$7,159	$ 29	$ 81	$ 3	$ 1	$ 50	$ 8,315	$ 8,100	$15,549	$ 42,087

NOTE 3 - NOTES, BONDS AND LEASE OBLIGATIONS PAYABLE

Notes and bonds payable at June 30, 1985 are shown below.

	Amount (in Thousands) Notes	Bonds
Capital Projects Fund:		
General obligation bond anticipation notes, renewable to January 1986, at rates ranging from 3.5% to 6.25%	$ 67,770	
Enterprise Funds:		
General obligation bonds, 4.875% to 7.5%, due in generally decreasing amounts of principal and interest ranging from $7 million in 1986 to $1 million in 2010		$ 71,540
Tennessee Local Development Authority revenue bonds, 1985 Series, 10%, due in decreasing amounts of principal and interest from $7 million in 1986 to $1 million in 2015		58,662
Tennessee Local Development Authority revenue bond anticipation notes, $68,850 and $21,350, 7% and 5.2%, due August 1985 and June 1986, respectively	90,200	
Tennessee Housing Development Agency mortgage finance program revenue bonds, various Series, 4.35% to 14%, due in generally decreasing amounts of principal and interest ranging from a maximum of $92 million in 1987 to $45 million in 2018		822,816
	90,200	953,018
Internal Service Funds:		
Tennessee State School Bond Authority 1977 refunding revenue bonds, 4.6% to 6.6%, crossover date of May 1986, principal and interest due thereafter in generally decreasing amounts ranging from $4 million in 1987 to $1 million in 2011		52,300
General Long-Term Debt:		
General obligation bonds, .1% to 8.4%, due in decreasing amounts of principal and interest from $76 million in 1986 to $5 million in 2002		480,695
College and University Funds:		
Endowment Fund notes, due within one year	16	
Capital outlay notes, to 9%, due serially to 1994	7,129	
Tennessee State School Bond Authority bond anticipation notes, interest at 63% of prime rate, due within one year	13,805	
Tennessee State School Bond Authority revenue bonds, various Series, 4.1% to 9.625%, due in decreasing amounts of principal and interest from $20 million in 1986 to $6 million in 2012		217,406
Tennessee State School Bond Authority 1985 daily demand bonds, maturing to 1999		20,500
Non-Authority revenue bonds, 2.75% to 5%, due in generally decreasing amounts of principal and interest from $450 thousand in 1991 to $80 thousand in 2005		7,571
	20,350	245,477
Total Notes and Bonds Payable	$ 178,920	$ 1,731,490

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation notes and bonds listed above. Although the Enterprise Fund general obligation debt is being retired from resources of that fund (State Loan Program Fund), the state remains contingently liable for its payment. The revenue notes and bonds listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Local Development Authority (TLDA), the Tennessee Housing Development Agency (THDA), the Tennessee State School Bond Authority (TSSBA) and the various colleges and universities.

As indicated above, substantially all notes payable at June 30, 1985 are due within one year. Debt service requirements to maturity for all general obligation and revenue bonds payable at June 30, 1985 are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
1986	$ 52,640	$ 30,522	$ 77,167*	$ 90,666	$ 250,995*
1987	52,780	27,858	31,669	91,510	203,817
1988	51,370	25,149	32,778	89,404	198,701
1989	48,790	22,496	34,375	87,129	192,790
1990	48,865	19,915	35,850	84,657	189,287
1991-2018	297,790	97,204	967,416	1,593,925	2,956,335
	$ 552,235	$ 223,144	$1,179,255	$2,037,291	$ 3,991,925

*Includes $51,115 representing outstanding TSSBA bonds to be refunded, described below.

A summary of changes in general long-term obligations for the year ended June 30, 1985 follows (expressed in thousands).

	Balance, July 1, 1984	General Obligation Bonds Retired	Other Changes in General Long-Term Obligations	Balance, June 30, 1985
Amount available in Debt Service Fund	$ 6,574		$(2,821)	$ 3,753
Amount to be Provided for Retirement of Long-Term Debt	524,246	$ (50,125)	2,821	476,942
General Obligation Debt Payable	530,820	(50,125)		480,695
Accrued Annual and Compensatory Leave	51,837		12,970	64,807
Capital Lease Obligations			91	91
Total General Long-Term Obligations	$ 582,657	$ (50,125)	$13,061	$ 545,593

Revenue bond sales during the year ended June 30, 1985 included the following issues (expressed in millions):

	THDA	TLDA	TSSBA
July 1984	$ 87.40		
November 1984	101.05		
January 1985			$ 22.1
March 1985		$ 58.66	
	$ 188.45	$ 58.66	$ 22.1

The $22.1 million TSSBA revenue bond issue above represents variable rate daily demand bonds maturing in installments through 1999. It is TSSBA's intent, however, to serially retire the debt by 1993, and, pursuant to this intent, $1.6 million of the bonds were redeemed in May 1985. The proceeds of the bonds were used to fund certain hospital equipment at the University of Tennessee, to establish the required debt service reserve and to pay certain issuance costs.

The bonds are subject to purchase at a price equal to principal plus accrued interest on demand of the holder and delivery to TSSBA's remarketing agent, Morgan Guaranty Trust Company of New York (Morgan). Morgan is authorized to use its best efforts to sell the repurchased bonds at principal plus accrued interest. If they are unable to do so, Morgan is further required to purchase them, with resale rights, under a standby bond purchase agreement extending to 1990. The standby agreement also requires TSSBA to pay Morgan an annual commitment fee based on outstanding principal and interest during the year.

Under a revolving credit agreement established with Morgan in 1985, TSSBA may borrow up to $20 million evidenced by revenue bond anticipation notes. At June 30, 1985 some $13.8 million had been drawn under this agreement.

In August 1984, TLDA revenue bond anticipation notes of $68.85 million were issued, which proceeds (together with additional available funds) were used to retire notes then due. In June 1985, additional TLDA revenue bond anticipation notes of $21.35 million were issued which, together with proceeds from the above $58.66 million of TLDA revenue bonds sold in March, will retire the $68.85 million notes when due.

Subsequent to June 30, 1985 THDA sold an additional $182.46 million in revenue bonds. Also, TSSBA borrowed an additional $5.3 million under its revolving credit agreement described above.

In 1977 the TSSBA entered into a crossover advance refunding transaction whereby revenue bonds of $52.985 million were issued to facilitate retirement of 1976 TSSBA bonds of $51.115 million in crossover year 1986. Proceeds from the refunding issue were placed in trust with the State Treasurer and invested in qualifying securities which, together with interest earned thereon, will provide amounts sufficient for future payment of all interest, principal and call premiums on the 1976 refunded bonds. In the accompanying financial statements the refunding bonds, less unamortized discount, and related investments are reported in the TSSBA Internal Service Fund; the bonds to be refunded are included in the College and University Funds debt.

A summary of general obligation bonds authorized and unissued at June 30, 1985 is shown below (expressed in thousands). It is anticipated that a substantial amount of these bonds will not be issued but will be cancelled because of sufficient fund balances.

Purpose	Unissued July 1, 1984	Authorized	Sold	Cancelled	Unissued June 30, 1985
Sewage Treatment	$ 20,680				$ 20,680
Waterworks	31,520				31,520
Highway	115,520			$ 31,620	83,900
Education	35,209	$ 12,000			47,209
Correction	19,872				19,872
Health and Environment	5,775				5,775
General Government	26,597			4,920	21,677
Other	9,447			1,160	8,287
Totals	$ 264,620	$ 12,000	-	$ 37,700	$ 238,920

Lease obligations for facilities and equipment are payable from resources of the General and College and University Funds. Debt service requirements to maturity for all capital lease obligations payable at June 30, 1985 are as follows (expressed in thousands):

For the Year(s) Ended June 30	Lease Obligations Payable
1986	$ 3,995
1987	3,892
1988	3,573
1989	2,783
1990	2,271
1991-1996	4,354
Total	20,868
Less - Interest (4.2% to 22.96%) and executory costs	(4,952)
	$ 15,916

NOTE 4 - PENSION PLANS

A. Tennessee Consolidated Retirement System - The Tennessee Consolidated Retirement System (TCRS) is a defined benefit retirement plan covering general employees and teachers of the state as well as employees of political subdivisions who have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Contributions to the system are determined on an actuarial reserve basis and provide funding for both normal and accrued liability costs. The frozen initial liability method, a projected benefit cost method, is used to value the plan. Effective July 1981, pursuant to noncontributory legislation, contributions of up to 5% of the earnable compensation of most classes of general employees, formerly paid by those employees, were assumed by the state. This legislation similarly affected electing political subdivisions and their employees.

It is the policy of the state to fund pension costs accrued. For the year ended June 30, 1985 the state contributed $277.7 million to the plan and state employees and teachers contributed $49.8 million. These contributions included funding for a cost-of-living provision and amortization of the accrued liability on an actuarial basis over a 40-year period which began in 1975. In addition, a one-time appropriation of $50 million was transferred to TCRS in 1985 from the previous year's General Fund designated fund balance.

An experience study of the system is conducted every four years, the most recent having been completed as of June 30, 1984. A new set of assumptions resulted from this study, the most significant being an 8 1/2% interest rate (formerly 7%), an 8% annual salary growth (formerly 6%), and improved mortality rates for active and retired members.

An actuarial valuation is made every two years. The valuation as of June 30, 1985 is currently in progress. It will reflect the new assumptions referred to above. The most recently completed valuation, that as of June 30, 1983, incorporated the former assumptions. In addition, investments were valued using a five-year moving market average for equity securities and amortized cost for debt securities. At June 30, 1983 the actuarially computed present value of vested benefits exceeded the net assets of the pension fund by $477 million. This calculation included the liability associated with a closed group of University of Tennessee faculty who participate in the Teachers Insurance and Annuity Association retirement plan (TIAA-CREF), described in B. below. The unamortized accrued liability of the retirement system, based on the present value of benefits for past and future service, was estimated to be $1.9 billion at June 30, 1983.

B. Other than TCRS - Eligible faculty of the various state universities and community colleges may elect to become members of either TIAA-CREF, a privately-administered defined contribution retirement plan, or the TCRS. The state assumes no liability for this group of TIAA-CREF members other than payment of contributions. During the year ended June 30, 1985 the state contributed $17.6 million to the TIAA-CREF plan.

A second, now-closed group of University of Tennessee faculty also participates in TIAA-CREF with certain supplemental benefits guaranteed by the state. Prior to 1978 these guaranteed benefits were funded by the university on a pay-as-you-go basis; they since have been assumed by the TCRS and are included in the June 30, 1983 actuarial calculations disclosed in A. above.

C. Deferred Compensation - The state offers its employees two deferred compensation plans, one established in accordance with IRC Section 457 and the other in accordance with IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. Through June 30, 1985 some $25.5 million, including accumulated interest earnings, had been contributed by participating state employees to those financial institutions administering the plans' various investment options. All amounts of employee compensation deferred under the Section 457 plan and all income attributable to such amounts (some $19.7 million) are, until made available to the employee or other beneficiary, solely the property of the state, subject only to claims of the state's general creditors. The state believes it is unlikely, however, that it will use these assets to satisfy such claims in the future. Accordingly, they have not been presented in the accompanying financial statements; nor have the $5.8 million in Section 401(k) plan assets which are the property of the contributing employees.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. Sick Leave - It is the state's policy to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 1985. The estimated accumulated amount of unused sick leave at that date was $289 million.

B. Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1985 and 1984 amounted to $22.2 million and $18.5 million, respectively.

C. Highway Construction Projects - At June 30, 1985 the Department of Transportation had contractual commitments of approximately $258 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($212 million) and general obligation bond proceeds ($46 million).

D. Litigation - The most significant recent litigation against the state, a case involving inadequate prison facilities, has been concluded. Relief granted by the court enables the state to remedy these conditions over an extended period of time. The flexibility allowed by the court will permit the state to carry out the remedial plan without material adverse impact on the state's financial position. The state is also party to numerous other legal proceedings, many of which normally recur in governmental operations. In the opinions of the Attorney General and General Counsel for the University of Tennessee system, final settlement of these matters will have no material effect on the accompanying financial statements.

E. Federal Grants - The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F. Loan Guarantees - The Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund entity, guarantees loans made to students. The U. S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 1985 TSAC was guarantor of $405 million in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these student loan guarantees in the event of default.

G. Other - The state has custodial responsibility over some $60 million of U.S. Department of Agriculture food stamp coupons for which the state is liable in the event of loss. Also, it has been the state's policy to fund as paid those claims against the state arising from employee negligence or employee injury/death while performing official duties. In 1985, however, a claims award fund was established representing the state's initial effort toward the eventual actuarial funding of expected claims losses.

Combining and Individual Fund Financial Statements

General Fund

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

Budgetary Procedures and Control

In many respects Tennessee is similar to other states regarding the process leading to adoption of the annual budget. Utilizing zero-based budgeting concepts, the executive branch prepares a budget which is the result of a series of intradepartmental budget meetings and executive budget hearings. The executive budget is based on estimates of all available revenue sources.

The executive budget is presented to the legislature at the beginning of each annual session. The legislature conducts budget hearings through its Finance, Ways and Means committees. Each committee recommends a version of the Appropriation Act to its respective body for passage. Included in the Appropriation Act is the funding level for each department. After passage by each chamber, differences between the two versions, if any, are resolved in conference committee. The final version is passed by both houses and sent to the Governor for approval. Before signing the Appropriation Act, the Governor may veto or reduce any specific appropriation item. These adjustments are subject to being overridden by the legislature.

Once the final budget is passed and signed, it becomes the financial plan for the coming year's activities. A quarterly work program detailing anticipated revenues by source and expenditures by object is then developed for each organizational entity. The work program is entered into the state's centralized accounting system. The budgetary-accounting integration and the resulting periodic reports facilitate both management control and legislative overview of the state's financial operations. Any deviation from the funding levels as specified in the Appropriation Act must receive prior approval from both the appropriate executive decision-makers and the Finance, Ways and Means committees. Thus, there is a continuing interaction between the executive and legislative branches on budgetary matters.

Constitutional Spending Limitation

Tennessee was the first state to adopt a constitutional spending limitation. This was not a response to any spending or taxing excesses but was a public endorsement of the state's long standing record of sound fiscal management.

The March 1978 amendment to the Constitution limited the growth in spending by state government to the rate of growth exhibited by the state's economy. The legislature was directed to establish some measure of economic growth from which the permitted growth in spending could be calculated. Estimated growth in personal income was the measure so established.

The 1985-86 budget is the state's seventh budget to be prepared and enacted since passage of the spending limitation. The total budget is well within the statutory limit enacted to carry out the constitutional mandate. Although the effect of the constitutional spending limitation cannot be evaluated until it has been operative for a period of years, it is apparent that the long-term impact of the amendment on the continued operations and growth of state government could be substantial.

STATE OF TENNESSEE
BALANCE SHEET
GENERAL FUND
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	JUNE 30, 1985	JUNE 30, 1984
CASH AND CASH EQUIVALENTS	$341,645	$215,306
RECEIVABLES:		
DUE FROM OTHER GOVERNMENTS	128,278	141,817
INTEREST	22,427	17,268
OTHER	4,521	4,615
INTERFUND RECEIVABLES		916
TOTAL ASSETS	$496,871	$379,922
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 71,639	$ 49,241
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	136,545	137,045
ACCRUED PAYROLL AND RELATED DEDUCTIONS	20,058	15,381
INTERFUND PAYABLES (Note 2)	4,940	4,108
DEFERRED REVENUE	537	1,165
DEPOSITS PAYABLE	33	40
TOTAL LIABILITIES	233,752	206,980
FUND BALANCE (Notes 1 and 2):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	13,593	7,278
RESERVED FOR CONTINUING APPROPRIATIONS	39,944	7,497
RESERVED FOR OTHER SPECIFIC PURPOSES	9,144	31,921
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	75,000	50,000
DESIGNATED FOR CLAIMS AGAINST THE STATE	3,000	3,000
DESIGNATED FOR OTHER SPECIFIC PURPOSES	122,057	72,687
UNDESIGNATED	381	559
TOTAL FUND BALANCE	263,119	172,942
TOTAL LIABILITIES AND FUND BALANCE	$496,871	$379,922

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1985	JUNE 30, 1984
REVENUES:		
TAXES	$2,416,622	$1,951,641
LICENSES, FEES AND PERMITS	41,149	40,052
INTEREST ON INVESTMENTS	77,935	56,567
FEDERAL	1,082,807	1,036,137
DEPARTMENTAL SERVICES	222,242	203,836
OTHER	5,733	4,292
TOTAL REVENUES	3,846,488	3,292,525
EXPENDITURES:		
GENERAL GOVERNMENT	152,932	129,101
EDUCATION	1,166,900	980,178
HEALTH AND SOCIAL SERVICES	1,378,644	1,295,016
LAW, JUSTICE AND PUBLIC SAFETY	256,135	212,812
RECREATION AND RESOURCES DEVELOPMENT	119,215	98,444
REGULATION OF BUSINESS AND PROFESSIONS	15,920	13,566
TOTAL EXPENDITURES	3,089,746	2,729,117
EXCESS OF REVENUES OVER EXPENDITURES	756,742	563,408
OTHER FINANCING USES:		
OPERATING TRANSFERS TO:		
SPECIAL REVENUE FUNDS	(2,874)	(8,400)
DEBT SERVICE FUND	(2,860)	(6,519)
CAPITAL PROJECTS FUND	(90,557)	(12,588)
ENTERPRISE FUNDS	(1,000)	
INTERNAL SERVICE FUNDS	(2)	(31)
NONEXPENDABLE TRUST FUND	(57,333)	(6,079)
COLLEGE AND UNIVERSITY FUNDS	(485,198)	(395,754)
TOTAL OTHER FINANCING USES	(639,824)	(429,371)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	116,918	134,037
FUND BALANCE, JULY 1	172,942	38,896
EQUITY TRANSFERS FROM (TO):		
INTERNAL SERVICE FUNDS	(9,616)	9
NONEXPENDABLE TRUST FUND	(17,125)	
FUND BALANCE, JUNE 30 (Note 2)	$ 263,119	$ 172,942

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
TAXES:		
SALES AND USE	$1,641,757	$1,262,621
GASOLINE	2,585	2,864
MOTOR VEHICLE REGISTRATION	3,795	5,569
INCOME	42,240	37,288
PRIVILEGE	41,433	37,855
GROSS RECEIPTS	111,060	110,740
BEER	7,869	9,215
ALCOHOLIC BEVERAGE	24,650	24,518
MIXED DRINK	9,962	9,757
FRANCHISE	98,722	53,483
EXCISE	212,883	190,492
INHERITANCE AND ESTATE	32,939	36,426
TOBACCO	80,135	76,874
COIN-OPERATED AMUSEMENT	2,825	4,029
BUSINESS	8,754	7,783
INSURANCE COMPANIES PREMIUM	85,738	71,592
RETALIATORY	2,690	2,981
OTHER	6,585	7,554
	2,416,622	1,951,641
LICENSES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	3,630	3,599
DRIVERS LICENSES	18,116	19,358
ARRESTS, FINES AND FEES	3,136	2,851
REGULATORY BOARD FEES	6,852	5,345
OTHER	9,415	8,899
	41,149	40,052
INTEREST ON INVESTMENTS	77,935	56,567
FEDERAL - EARNED BY STATE DEPARTMENTS	1,082,807	1,036,137
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	73,455	69,455
INTERDEPARTMENTAL CHARGES	127,806	113,855
CHARGES TO CITIES, COUNTIES, ETC.	20,981	20,526
	222,242	203,836
OTHER	5,733	4,292
TOTAL REVENUES BY SOURCE	$3,846,488	$3,292,525

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

EXPENDITURES BY FUNCTION AND DEPARTMENT	FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
GENERAL GOVERNMENT		
LEGISLATIVE	$ 9,197	$ 8,076
SECRETARY OF STATE	12,325	8,508
COMPTROLLER	22,077	17,993
TREASURER	10,104	8,427
GOVERNOR	2,629	2,371
COMMISSIONS	29,437	25,411
FINANCE AND ADMINISTRATION	4,489	3,856
PERSONNEL	3,856	3,327
GENERAL SERVICES	15,048	13,434
REVENUE	30,986	25,866
OTHER	12,784	11,832
	152,932	129,101
EDUCATION	1,166,900	980,178
HEALTH AND SOCIAL SERVICES		
VETERANS AFFAIRS	1,049	899
EMPLOYMENT SECURITY	40,738	42,890
LABOR	55,389	36,380
MENTAL HEALTH AND MENTAL RETARDATION	199,821	172,781
HEALTH AND ENVIRONMENT	747,548	733,298
HUMAN SERVICES	334,099	308,768
	1,378,644	1,295,016
LAW, JUSTICE AND PUBLIC SAFETY		
JUDICIAL	39,259	34,593
CORRECTION	154,140	126,048
MILITARY	14,979	12,250
BUREAU OF CRIMINAL INVESTIGATION	7,693	5,718
SAFETY	40,064	34,203
	256,135	212,812
RECREATION AND RESOURCES DEVELOPMENT		
AGRICULTURE	12,402	9,962
TOURIST DEVELOPMENT	6,904	5,381
CONSERVATION	50,931	42,441
ECONOMIC AND COMMUNITY DEVELOPMENT	48,978	40,660
	119,215	98,444
REGULATION OF BUSINESS AND PROFESSIONS		
COMMERCE AND INSURANCE	12,753	10,765
FINANCIAL INSTITUTIONS	3,167	2,801
	15,920	13,566
TOTAL EXPENDITURES BY FUNCTION AND DEPARTMENT	$3,089,746	$2,729,117

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
PERSONAL SERVICES	$ 521,069	$ 439,096
EMPLOYEE BENEFITS	121,951	101,237
TRAVEL	25,022	22,927
PRINTING, DUPLICATING AND FILM PROCESSING	10,405	8,922
UTILITIES AND FUEL	26,339	26,266
COMMUNICATION AND SHIPPING COSTS	22,265	21,778
MAINTENANCE, REPAIRS AND SERVICES	13,028	10,652
PROFESSIONAL AND ADMINISTRATIVE SERVICES	142,980	122,298
SUPPLIES	108,505	96,885
RENTALS AND INSURANCE	25,270	12,081
MOTOR VEHICLE OPERATION	4,708	4,621
AWARDS AND INDEMNITIES	7,725	6,298
GRANTS AND SUBSIDIES	2,035,434	1,836,128
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	11,152	8,849
EQUIPMENT	12,755	9,028
LAND	120	344
BUILDINGS	744	1,265
IMPROVEMENTS OTHER THAN BUILDINGS	274	442
TOTAL EXPENDITURES BY OBJECT	$ 3,089,746	$ 2,729,117

See accompanying Notes to the Financial Statements.

Special Revenue Funds

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. The State Treasurer invests these moneys, income from which is deposited in the General Fund.

Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits.

Public Service Commission - The commission is responsible for executing and enforcing all statutes governing railroads, utilities and motor carriers. They also assess these groups for ad valorem taxes. Revenues are derived principally from filing and inspection fees.

Other Special Revenue Funds - There are five agencies included in this group, as follows:

1. Criminal Injuries Compensation - The Board of Claims administers this fund for the award of compensation, not to exceed $10,000, to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender;

2. Abandoned Land Program - This program is administered by the Department of Health and Environment. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations;

3. Driver Education - This program is designed and coordinated by the Departments of Education and Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The $2 fee for moving traffic violations is the source of funding for this program;

4. Hazardous Waste - This program is administered by the Department of Health and Environment. Revenues collected from applicants and holders of storage, treatment or disposal permits of hazardous waste are used to supervise the construction, operation, maintenance, closure and, where necessary, the post-closure care of hazardous waste facilities;

5. Real Estate Commission - This program is administered by the Department of Commerce and Insurance. Revenues are collected from fees assessed on licenses to real estate brokers or affiliate real estate brokers. These revenues are used to pay court judgments for violations by brokers of the act creating the Real Estate Commission or any rules promulgated by the Commission.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	OTHER	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
CASH AND CASH EQUIVALENTS	$ 238,247	$ 13,812	$ 1,265	$9,137	**$262,461**	$296,009
RECEIVABLES	61,916	180	250		**62,346**	56,190
INTERFUND RECEIVABLES (Note 2)	2,759			41	**2,800**	401
INVENTORIES, at cost	5,799				**5,799**	8,424
TOTAL ASSETS	$ 308,721	$ 13,992	$ 1,515	$9,178	**$333,406**	$361,024
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
WARRANTS PAYABLE	$ 22,848	$ 172	$ 37	$ 251	**$ 23,308**	$ 19,495
ACCOUNTS PAYABLE AND ACCRUALS	57,313	732	65	600	**58,710**	59,444
INTERFUND PAYABLES (Note 2)	799	86	1	5	**891**	784
DEFERRED REVENUE	2,873				**2,873**	
DEPOSITS PAYABLE	7,078		1		**7,079**	9,758
TOTAL LIABILITIES	90,911	990	104	856	**92,861**	89,481
FUND BALANCES (Notes 1 and 2):						
RESERVED FOR INVENTORIES	5,799				**5,799**	8,424
RESERVED FOR ENCUMBRANCES AND CONTRACTS	148,274	543	11	25	**148,853**	179,170
RESERVED FOR OTHER SPECIFIC PURPOSES	53,195	12,459	1,400	8,297	**75,351**	66,426
UNRESERVED	10,542				**10,542**	17,523
TOTAL FUND BALANCES	217,810	13,002	1,411	8,322	**240,545**	271,543
TOTAL LIABILITIES AND FUND BALANCES	$ 308,721	$ 13,992	$ 1,515	$9,178	**$333,406**	$361,024

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	HIGHWAY	WILDLIFE RESOURCES AGENCY	PUBLIC SERVICE COMMISSION	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
REVENUES:						
TAXES	$ 254,246	$ 280			**$254,526**	$244,223
LICENSES, FEES AND PERMITS	474	12,900	$ 4,098	$5,749	**23,221**	20,268
FEDERAL	279,245	2,884	889	197	**283,215**	269,772
DEPARTMENTAL SERVICES	18,676	1,554	611	1,319	**22,160**	11,658
OTHER	4,540				**4,540**	5,076
TOTAL REVENUES	557,181	17,618	5,598	7,265	**587,662**	550,997
EXPENDITURES:						
GENERAL GOVERNMENT			5,391	3,292	**8,683**	5,897
EDUCATION				979	**979**	902
HEALTH AND SOCIAL SERVICES				1,942	**1,942**	726
LAW, JUSTICE AND PUBLIC SAFETY				108	**108**	113
RECREATION AND RESOURCES DEVELOPMENT		17,059			**17,059**	13,841
TRANSPORTATION	606,783				**606,783**	544,367
TOTAL EXPENDITURES	606,783	17,059	5,391	6,321	**635,554**	565,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,602)	559	207	944	**(47,892)**	(14,849)
OTHER FINANCING SOURCES (USES):						
OPERATING TRANSFER FROM GENERAL FUND		191		2,683	**2,874**	8,400
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,020				**14,020**	11,320
OPERATING TRANSFER TO PENSION TRUST FUND						(56)
TOTAL OTHER FINANCING SOURCES (USES)	14,020	191		2,683	**16,894**	19,664
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(35,582)	750	207	3,627	**(30,998)**	4,815
FUND BALANCES, JULY 1	253,392	12,252	1,204	4,695	**271,543**	266,728
FUND BALANCES, JUNE 30 (Note 2)	$ 217,810	$ 13,002	$ 1,411	$8,322	**$240,545**	$271,543

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	CRIMINAL INJURIES COMPENSATION	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REAL ESTATE COMMISSION	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1983
CASH AND CASH EQUIVALENTS	$ 817	$1,838	$1,013	$4,894	$ 575	$9,137	$ 5,285
INTERFUND RECEIVABLES	41					41	
TOTAL ASSETS	$ 858	$1,838	$1,013	$4,894	$ 575	$9,178	$ 5,285
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 194	$ 2	$ 1	$ 54		$ 251	$ 58
ACCOUNTS PAYABLE AND ACCRUALS	431	3	53	113		600	528
INTERFUND PAYABLES (Note 2)				5		5	4
TOTAL LIABILITIES	625	5	54	172		856	590
FUND BALANCES (Note 1):							
RESERVED FOR ENCUMBRANCES AND CONTRACTS			5	20		25	11
RESERVED FOR OTHER SPECIFIC PURPOSES	233	1,833	954	4,702	$ 575	8,297	4,684
TOTAL FUND BALANCES	233	1,833	959	4,722	575	8,322	4,695
TOTAL LIABILITIES AND FUND BALANCES	$ 858	$1,838	$1,013	$4,894	$ 575	$9,178	$ 5,285

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	CRIMINAL INJURIES COMPENSATION	ABANDONED LAND PROGRAM	DRIVER EDUCATION	HAZARDOUS WASTE	REAL ESTATE COMMISSION	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1983
REVENUES:							
LICENSES, FEES AND PERMITS	$3,368	$ 342	$1,464		$ 575	$5,749	$ 3,934
FEDERAL				$ 197		197	130
DEPARTMENTAL SERVICES				1,319		1,319	960
TOTAL REVENUES	3,368	342	1,464	1,516	575	7,265	5,024
EXPENDITURES:							
GENERAL GOVERNMENT	3,292					3,292	1,330
EDUCATION			979			979	902
HEALTH AND SOCIAL SERVICES		610		1,332		1,942	726
LAW, JUSTICE AND PUBLIC SAFETY			108			108	113
TOTAL EXPENDITURES	3,292	610	1,087	1,332		6,321	3,071
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	76	(268)	377	184	575	944	1,953
OTHER FINANCING SOURCES:							
OPERATING TRANSFER FROM (TO) GENERAL FUND		(355)		3,038		2,683	1,000
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	76	(623)	377	3,222	575	3,627	2,953
FUND BALANCES, JULY 1	157	2,456	582	1,500		4,695	1,742
FUND BALANCES, JUNE 30 (Note 2)	$ 233	$1,833	$ 959	$4,722	$ 575	$8,322	$ 4,695

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
BALANCE SHEET
HIGHWAY FUND
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	JUNE 30, 1985	JUNE 30, 1984
CASH AND CASH EQUIVALENTS	$ 238,247	$ 276,849
ACCOUNTS RECEIVABLE	3	4
DUE FROM OTHER GOVERNMENTS	61,913	55,539
INTERFUND RECEIVABLES (Note 2)	2,759	401
INVENTORIES, at cost	5,799	8,424
TOTAL ASSETS	$ 308,721	$ 341,217
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 22,848	$ 19,222
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	50,983	53,229
CONTRACT RETAINAGE	3,252	2,129
ACCRUED PAYROLL AND RELATED DEDUCTIONS	3,078	2,782
INTERFUND PAYABLES (Note 2)	799	706
DEFERRED REVENUE	2,873	5,150
DEPOSITS PAYABLE	7,078	4,607
TOTAL LIABILITIES	90,911	87,825
FUND BALANCE (Note 1):		
RESERVED FOR INVENTORIES	5,799	8,424
RESERVED FOR ENCUMBRANCES AND CONTRACTS	148,274	178,520
RESERVED FOR OTHER SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	9,978	7,056
PRIMARY SYSTEM	8,316	5,499
URBAN HIGHWAYS	843	843
SECONDARY ROADS	3,931	3,762
APPALACHIA HIGHWAYS AND ACCESS ROUTES	3,567	9,610
RURAL ROADS	3,771	4,608
METROPOLITAN URBAN SYSTEMS	930	1,423
BRIDGE REPLACEMENT	4,941	
HIGHWAY SAFETY CONSTRUCTION	7,231	6,482
OTHERS	9,687	9,642
UNRESERVED	10,542	17,523
TOTAL FUND BALANCE	217,810	253,392
TOTAL LIABILITIES AND FUND BALANCE	$ 308,721	$ 341,217

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1985	JUNE 30, 1984
REVENUES:		
TAXES	$ 254,246	$ 243,932
LICENSES	474	398
FEDERAL	279,245	266,203
DEPARTMENTAL SERVICES	18,676	8,730
OTHER	4,540	5,076
TOTAL REVENUES	557,181	524,339
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	130,628	140,640
PRIMARY SYSTEM CONSTRUCTION	59,185	59,472
APPALACHIA CONSTRUCTION	18,299	20,917
STATE SYSTEM CONSTRUCTION	56,422	52,566
OTHER CONSTRUCTION	159,263	142,918
MAINTENANCE AND MARKING	129,811	81,132
ADMINISTRATIVE AND OTHER	53,175	46,722
TOTAL EXPENDITURES	606,783	544,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,602)	(20,028)
OTHER FINANCING SOURCES:		
OPERATING TRANSFER FROM GENERAL FUND		7,317
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,020	11,320
TOTAL OTHER FINANCING SOURCES	14,020	18,637
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(35,582)	(1,391)
FUND BALANCE, JULY 1	253,392	254,783
FUND BALANCE, JUNE 30 (Note 2)	$ 217,810	$ 253,392

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
TAXES:		
GASOLINE	$ 80,627	$ 82,815
MOTOR FUEL	36,794	35,499
GASOLINE INSPECTION	19,831	19,295
MOTOR VEHICLE REGISTRATION	114,102	106,323
GROSS RECEIPTS TAX	1,397	
BEER TAX	1,495	
	254,246	243,932
OUTDOOR ADVERTISING LICENSES	474	398
FEDERAL	279,245	266,203
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	14,894	4,870
STATE AGENCIES	3,782	3,860
OTHER - SALE OF EQUIPMENT, PLANS, ETC.	4,540	5,076
TOTAL REVENUES BY SOURCE	$ 557,181	$ 524,339

See accompanying Notes to the Financial Statements

STATE OF TENNESSEE
STATEMENT OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
PERSONAL SERVICES	$ 83,575	$ 72,115
EMPLOYEE BENEFITS	21,015	16,002
TRAVEL	775	665
PRINTING, DUPLICATING AND FILM PROCESSING	546	551
UTILITIES AND FUEL	1,239	1,265
COMMUNICATION AND SHIPPING COSTS	1,227	1,145
MAINTENANCE, REPAIRS AND SERVICES	694	566
PROFESSIONAL AND ADMINISTRATIVE SERVICES	12,698	14,549
SUPPLIES	20,700	11,034
RENTALS AND INSURANCE	565	112
MOTOR VEHICLE OPERATION	3,062	2,536
AWARDS AND INDEMNITIES	947	1,783
GRANTS AND SUBSIDIES	9,869	11,131
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	13,687	10,241
EQUIPMENT	6,098	4,166
LAND	25,843	32,502
BUILDINGS	509	369
HIGHWAY CONSTRUCTION	403,734	363,615
TOTAL EXPENDITURES BY OBJECT	$ 606,783	$ 544,367

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	HIGHWAY FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 25,971	$ 25,971	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	282,613	282,613	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	308,584	308,584	
REVENUES:			
TAXES	250,800	254,246	$ 3,446
LICENSES, FEES AND PERMITS	100	474	374
FEDERAL	282,280	282,280	
DEPARTMENTAL SERVICES	16,911	17,030	119
OTHER	3,700	4,540	840
OTHER FINANCING SOURCES - TRANSFERS IN	14,020	14,020	
TOTAL SOURCES OF FINANCIAL RESOURCES	**876,395**	**881,174**	**4,779**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
PUBLIC SERVICE COMMISSION			
WILDLIFE RESOURCES			
TRANSPORTATION	865,285	862,919	2,366
TOTAL USES OF FINANCIAL RESOURCES	**865,285**	**862,919**	**2,366**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 11,110**	**$ 18,255**	**$ 7,145**

	OTHER SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 4,684	$ 4,684	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	11	11	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	4,695	4,695	
REVENUES:			
TAXES			
LICENSES, FEES AND PERMITS	1,160	5,749	$ 4,589
FEDERAL	357	197	(160)
DEPARTMENTAL SERVICES	1,000	1,319	319
OTHER			
OTHER FINANCING SOURCES - TRANSFERS IN	3,038	3,038	
TOTAL SOURCES OF FINANCIAL RESOURCES	**10,250**	**14,998**	**4,748**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	3,275	3,275	
PUBLIC SERVICE COMMISSION			
EDUCATION	1,000	979	21
HEALTH AND ENVIRONMENT	5,077	1,962	3,115
SAFETY	194	113	81
WILDLIFE RESOURCES			
TRANSPORTATION			
OTHER FINANCING USES - TRANSFERS OUT	355	355	
TOTAL USES OF FINANCIAL RESOURCES	**9,901**	**6,684**	**3,217**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 349**	**$ 8,314**	**$ 7,965**

See accompanying Notes to the Financial Statements.

WILDLIFE RESOURCES AGENCY			PUBLIC SERVICE COMMISSION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 11,661	$ 11,661		$ 1,155	$ 1,155	
590	590		49	49	
12,251	12,251		1,204	1,204	
300	280	$ (20)			
11,200	12,900	1,700	4,400	4,098	$ (302)
3,798	2,884	(914)	262	889	627
1,004	1,553	549	709	611	(98)
191	191				
28,744	**30,059**	**1,315**	**6,575**	**6,802**	**227**
			5,441	5,401	40
18,434	17,514	920			
18,434	**17,514**	**920**	**5,441**	**5,401**	**40**
$ 10,310	**$ 12,545**	**$ 2,235**	**$ 1,134**	**$ 1,401**	**$ 267**

TOTAL SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 43,471	$ 43,471	
283,263	283,263	
326,734	326,734	
251,100	254,526	$ 3,426
16,860	23,221	6,361
286,697	286,250	(447)
19,624	20,513	889
3,700	4,540	840
17,249	17,249	
921,964	**933,033**	**11,069**
3,275	3,275	
5,441	5,401	40
1,000	979	21
5,077	1,962	3,115
194	113	81
18,434	17,514	920
865,285	862,919	2,366
355	355	
899,061	**892,518**	**6,543**
$ 22,903	**$ 40,515**	**$ 17,612**

STATE OF TENNESSEE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	CRIMINAL INJURIES COMPENSATION		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 157	$ 157	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED			
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	157	157	
REVENUES:			
LICENSES, FEES AND PERMITS		3,368	$ 3,368
FEDERAL			
DEPARTMENTAL SERVICES			
TOTAL SOURCES OF FINANCIAL RESOURCES	**157**	**3,525**	**3,368**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER	3,275	3,275	
EDUCATION			
HEALTH AND ENVIRONMENT			
SAFETY			
OTHER FINANCING USES - TRANSFERS OUT			
TOTAL USES OF FINANCIAL RESOURCES	**3,275**	**3,275**	
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ (3,118)**	**$ 250**	**$ 3,368**

	HAZARDOUS WASTE		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:			
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 1,498	$ 1,498	
ADD - ENCUMBRANCE RESERVES REAPPROPRIATED	2	2	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	1,500	1,500	
REVENUES:			
LICENSES, FEES AND PERMITS			
FEDERAL	357	197	$ (160)
DEPARTMENTAL SERVICES	1,000	1,319	319
OTHER FINANCING SOURCES - TRANSFERS IN	3,038	3,038	
TOTAL SOURCES OF FINANCIAL RESOURCES	**5,895**	**6,054**	**159**
USES OF FINANCIAL RESOURCES:			
EXPENDITURES AND ENCUMBRANCES:			
TREASURER			
EDUCATION			
HEALTH AND ENVIRONMENT	4,396	1,352	3,044
SAFETY			
OTHER FINANCING USES - TRANSFERS OUT			
TOTAL USES OF FINANCIAL RESOURCES	**4,396**	**1,352**	**3,044**
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	**$ 1,499**	**$ 4,702**	**$ 3,203**

See accompanying Notes to the Financial Statements.

ABANDONED LAND PROGRAM		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 2,456	$ 2,456	
2,456	2,456	
	342	$ 342
2,456	2,798	342
681	610	71
355	355	
1,036	965	71
$ 1,420	$ 1,833	$ 413

DRIVER EDUCATION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 573	$ 573	
9	9	
582	582	
1,160	1,464	$ 304
1,742	2,046	304
1,000	979	21
194	113	81
1,194	1,092	102
$ 548	$ 954	$ 406

REAL ESTATE COMMISSION		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
	$ 575	$ 575
	575	575
$ -	$ 575	$ 575

TOTAL OTHER SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE-FAVORABLE (UNFAVORABLE)
$ 4,684	$ 4,684	
11	11	
4,695	4,695	
1,160	5,749	$ 4,589
357	197	(160)
1,000	1,319	319
3,038	3,038	
10,250	14,998	4,748
3,275	3,275	
1,000	979	21
5,077	1,962	3,115
194	113	81
355	355	
9,901	6,684	3,217
$ 349	$ 8,314	$ 7,965

Debt Service Fund

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	JUNE 30, 1985	JUNE 30, 1984
CASH AND CASH EQUIVALENTS	$ 4,725	$ 7,263
PREPAYMENTS		1
TOTAL ASSETS	$ 4,725	$ 7,264
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 10	$ 1
MATURED BONDS AND INTEREST PAYABLE	664	164
ACCRUED INTEREST ON BOND ANTICIPATION NOTES	298	525
TOTAL LIABILITIES	972	690
FUND BALANCE (Note 1):		
UNRESERVED	3,753	6,574
TOTAL FUND BALANCE	3,753	6,574
TOTAL LIABILITIES AND FUND BALANCE	$ 4,725	$ 7,264

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1985	JUNE 30, 1984
REVENUES:		
TAXES:		
SALES AND USE	$ 15,967	$ 14,480
GASOLINE	29,300	29,300
FRANCHISE	16,000	16,000
EXCISE	44,500	39,400
	105,767	99,180
FEDERAL	92	92
TOTAL REVENUES	105,859	99,272
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	50,125	52,625
BOND INTEREST	28,833	31,503
NOTE INTEREST	4,390	3,403
OTHER	92	109
TOTAL EXPENDITURES	83,440	87,640
EXCESS OF REVENUES OVER EXPENDITURES	22,419	11,632
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER FROM GENERAL FUND	2,860	6,519
OPERATING TRANSFER TO CAPITAL PROJECTS FUND	(14,080)	(2,400)
OPERATING TRANSFER TO HIGHWAY FUND	(14,020)	(11,320)
TOTAL OTHER FINANCING SOURCES (USES)	(25,240)	(7,201)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,821)	4,431
FUND BALANCE, JULY 1	6,574	2,143
FUND BALANCE, JUNE 30	$ 3,753	$ 6,574

See accompanying Notes to the Financial Statements.

Capital Projects Fund

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	JUNE 30, 1985	JUNE 30, 1984
CASH AND CASH EQUIVALENTS	$ 171,456	$ 154,982
DUE FROM OTHER GOVERNMENTS	2,376	674
INTERFUND RECEIVABLES	7,159	
TOTAL ASSETS	$ 180,991	$ 155,656
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 1,968	$ 5,657
ACCOUNTS PAYABLE	8,190	4,565
INTERFUND PAYABLES (Note 2)	1,695	2,310
NOTES PAYABLE (Note 3)	67,770	88,520
DEFERRED REVENUE	266	182
TOTAL LIABILITIES	79,889	101,234
FUND BALANCE (Note 1):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	55,923	10,000
RESERVED FOR APPROVED CAPITAL PROJECTS	19,322	32,949
RESERVED FOR FUTURE CAPITAL PROJECTS	25,857	11,473
TOTAL FUND BALANCE	101,102	54,422
TOTAL LIABILITIES AND FUND BALANCE	$ 180,991	$ 155,656

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1985	JUNE 30, 1984
REVENUES:		
FEDERAL	$ 6,711	$ 2,303
DEPARTMENTAL SERVICES	844	259
TOTAL REVENUES	7,555	2,562
EXPENDITURES:		
GENERAL GOVERNMENT	11,841	19,395
EDUCATION	3,801	437
HEALTH AND SOCIAL SERVICES	6,112	2,530
LAW, JUSTICE AND PUBLIC SAFETY	15,665	6,764
RECREATION AND RESOURCES DEVELOPMENT	3,792	2,411
TOTAL EXPENDITURES	41,211	31,537
EXCESS OF EXPENDITURES OVER REVENUES	(33,656)	(28,975)
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER FROM GENERAL FUND	90,557	12,588
OPERATING TRANSFER FROM DEBT SERVICE FUND	14,080	2,400
OPERATING TRANSFER TO COLLEGE AND UNIVERSITY FUNDS	(24,301)	(21,202)
TOTAL OTHER FINANCING SOURCES (USES)	80,336	(6,214)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	46,680	(35,189)
FUND BALANCE, JULY 1	54,422	89,611
FUND BALANCE, JUNE 30	$101,102	$ 54,422

See accompanying Notes to the Financial Statements.

Enterprise Funds

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Local Development Authority - This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. In addition, the Authority may assist small business concerns in financing pollution control facilities and farmers in financing certain capital improvements.

State Loan Program - Operated since the early 1970's through the Department of Health and Environment, this program has provided financial assistance to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes by the Local Development Authority.

Other - Three smaller enterprise operations are included in this group, as follows:

1. Housing Rehabilitation Corporation - Established in 1973, this corporation's purpose is to provide a means of encouraging the rehabilitation of existing housing. To facilitate this objective the corporation insures first mortgage loans on existing houses and insures loans for home improvements. Although they have received state appropriations in the past, it is intended that the corporation be self-funded with revenues from investments, fees and premium income.

2. Federal Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs.

3. State Employees' Cafeteria, also a division of the Department of General Services - This Nashville division operates two cafeterias for the convenience of state employees, one in the Andrew Jackson State Office Building and another in the Legislative Plaza.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
CURRENT ASSETS:						
CASH AND CASH EQUIVALENTS	$ 105,806	$ 21,251	$ 8,816	$ 800	**$ 136,673**	$ 122,116
CASH ON DEPOSIT WITH FISCAL AGENT		68,850			**68,850**	
RECEIVABLES:						
ACCOUNTS	3,589					
INTEREST	12,197	1,294		56	**3,645**	2,858
FIRST MORTGAGE LOANS - CURRENT PORTION					**13,491**	10,116
DUE FROM OTHER GOVERNMENTS - CURRENT PORTION	33,913				**33,913**	17,764
INTERFUND RECEIVABLES (Note 2)		1,207	2,515		**3,722**	2,390
INVENTORIES, at cost				29	**29**	
TOTAL CURRENT ASSETS	155,505	92,602	11,331	889	**260,327**	155,249
OTHER ASSETS:						
LONG-TERM INVESTMENTS, at cost	112,645	6,706			**119,351**	73,945
FIRST MORTGAGE LOANS RECEIVABLE	666,348				**666,348**	548,493
DUE FROM OTHER GOVERNMENTS		56,758	66,886		**123,644**	128,261
DEFERRED CHARGES	1,136				**1,136**	1,253
TOTAL OTHER ASSETS	780,129	63,464	66,886		**910,479**	751,952
LAND, at cost				29	**29**	
STRUCTURES AND IMPROVEMENTS, at cost				85	**85**	
MACHINERY AND EQUIPMENT, at cost	75			442	**517**	535
LESS ACCUMULATED DEPRECIATION	(35)			(329)	**(364)**	(353)
TOTAL FIXED ASSETS	40			227	**267**	182
TOTAL ASSETS	$ 935,674	$ 156,066	$ 78,217	$ 1,116	**$1,171,073**	$ 907,383
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
CURRENT LIABILITIES:						
WARRANTS PAYABLE	$ 1,328	$ 22		$ 32	**$ 1,382**	$ 1,225
ACCOUNTS PAYABLE AND ACCRUALS	45,045	3,674	$ 2,000	138	**50,857**	35,429
INTERFUND PAYABLES (Note 2)	16			7	**23**	18
NOTES PAYABLE (Note 3)		90,200			**90,200**	78,280
CURRENT PORTION OF LONG - TERM DEBT (Note 3)	18,030	1,207	2,515		**21,752**	17,675
DEFERRED REVENUE	3,076				**3,076**	3,088
TOTAL CURRENT LIABILITIES	67,495	95,103	4,515	177	**167,290**	135,715
LONG-TERM DEBT - BONDS PAYABLE, NET (Note 3)	804,786	57,455	69,025		**931,266**	711,812
TOTAL LIABILITIES	872,281	152,558	73,540	177	**1,098,556**	847,527
FUND EQUITY (Note 2):						
CONTRIBUTED CAPITAL				707	**707**	593
RETAINED EARNINGS:						
RESERVED FOR BOND RETIREMENT	13,282				**13,282**	14,647
RESERVED FOR SEWAGE TREATMENT LOANS		1,000			**1,000**	
UNRESERVED	50,111	2,508	4,677	232	**57,528**	44,616
TOTAL FUND EQUITY	63,393	3,508	4,677	939	**72,517**	59,856
TOTAL LIABILITIES AND FUND EQUITY	$ 935,674	$ 156,066	$ 78,217	$ 1,116	**$1,171,073**	$ 907,383

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	TOTALS FOR THE YEAR ENDED JUNE 30, 1984
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 296			$ 1,392	$ 1,688	$ 2,329
INTEREST INCOME	83,967	$ 3,537	$ 817	41	88,362	67,806
INTERGOVERNMENTAL	32	4,189	3,962		8,183	8,544
TOTAL OPERATING REVENUES	84,295	7,726	4,779	1,433	98,233	78,679
OPERATING EXPENSES:						
PERSONAL SERVICES	1,768			820	2,588	2,187
CONTRACTUAL SERVICES	451	786		135	1,372	1,141
MORTGAGE SERVICE FEES	1,987				1,987	1,596
MATERIALS AND SUPPLIES	29			419	448	416
RENTALS AND INSURANCE	99			5	104	98
INTEREST	68,429	6,737	4,311		79,477	61,892
DEPRECIATION AND AMORTIZATION	406			27	433	440
OTHER	504			23	527	375
TOTAL OPERATING EXPENSES	73,673	7,523	4,311	1,429	86,936	68,145
OPERATING INCOME	10,622	203	468	4	11,297	10,534
NONOPERATING REVENUES (EXPENSES):						
OPERATING GRANTS	15,813				15,813	14,086
GAIN ON SALE OF INVESTMENTS						1,494
GRANT EXPENSE	(15,563)				(15,563)	(13,834)
TOTAL NONOPERATING REVENUES (EXPENSES)	250				250	1,746
INCOME BEFORE OPERATING TRANSFER	10,872	203	468	4	11,547	12,280
OPERATING TRANSFER FROM GENERAL FUND		1,000			1,000	
INCOME BEFORE EXTRAORDINARY ITEM	10,872	1,203	468	4	12,547	12,280
EXTRAORDINARY CHARGE						(2,129)
NET INCOME/CHANGE IN RETAINED EARNINGS	10,872	1,203	468	4	12,547	10,151
OTHER CHANGES IN FUND EQUITY:						
CONTRIBUTED FIXED ASSETS				114	114	
NET CHANGE IN FUND EQUITY	10,872	1,203	468	118	12,661	10,151
FUND EQUITY, JULY 1	52,521	2,305	4,209	821	59,856	49,705
FUND EQUITY, JUNE 30 (Note 2)	$ 63,393	$ 3,508	$ 4,677	$ 939	$ 72,517	$ 59,856

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	LOCAL DEVELOPMENT AUTHORITY	STATE LOAN PROGRAM	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	TOTALS FOR THE YEAR ENDED JUNE 30, 1984
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
INCOME BEFORE EXTRAORDINARY ITEM	$ 10,872	$ 1,203	$ 468	$ 4	$ 12,547	$ 12,280
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	406			27	433	440
WORKING CAPITAL PROVIDED BY OPERATIONS, EXCLUSIVE OF EXTRAORDINARY ITEM	11,278	1,203	468	31	12,980	12,720
EXTRAORDINARY ITEM - EARLY RETIREMENT OF BONDS, INCLUDING EXTRAORDINARY CHARGE OF $2,129 IN 1984						(109,000)
WORKING CAPITAL PROVIDED BY OPERATIONS	11,278	1,203	468	31	12,980	(96,280)
PROCEEDS FROM SALE OF BONDS	188,456	58,662			247,118	138,481
DISPOSAL OF MACHINERY AND EQUIPMENT				3	3	9
DECREASE IN LOANS TO OTHER GOVERNMENTS		2,057	2,559		4,616	5,090
SALE OF LONG-TERM INVESTMENTS						2,065
TOTAL SOURCES OF WORKING CAPITAL	199,734	61,922	3,027	34	264,717	49,365
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	38,700	6,706			45,406	
INCREASE IN FIRST MORTGAGE LOANS RECEIVABLE	117,855				117,855	91,129
INCREASE IN DEFERRED CHARGES	281				281	271
ACQUISITION OF MACHINERY AND EQUIPMENT	6			3	9	46
DECREASE IN LONG-TERM DEBT	23,942	1,207	2,515		27,664	19,209
TOTAL USES OF WORKING CAPITAL	180,784	7,913	2,515	3	191,215	110,655
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 18,950	$ 54,009	$ 512	$ 31	$ 73,502	$ (61,290)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	$ 18,574	$ (4,532)	$ 491	$ 23	$ 14,556	$ (82,476)
CASH ON DEPOSIT WITH FISCAL AGENT		68,850			68,850	
ACCOUNTS RECEIVABLE	777			10	787	610
INTEREST RECEIVABLE	2,118	1,263	(6)		3,375	(2,409)
FIRST MORTGAGE LOANS RECEIVABLE	16,149				16,149	12,976
CURRENT DUE FROM OTHER GOVERNMENTS		1,207	125		1,332	115
INTERFUND RECEIVABLES				29	29	
INVENTORIES				(1)	(1)	(1)
WARRANTS PAYABLE	(122)	(22)		(13)	(157)	(240)
ACCOUNTS PAYABLE AND ACCRUALS	(15,806)	370	27	(19)	(15,428)	(1,989)
INTERFUND PAYABLES	(4)			(1)	(5)	(1)
NOTES PAYABLE		(11,920)			(11,920)	13,970
CURRENT PORTION OF LONG-TERM DEBT	(2,745)	(1,207)	(125)		(4,077)	(2,085)
DEFERRED REVENUE	9			3	12	240
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 18,950	$ 54,009	$ 512	$ 31	$ 73,502	$ (61,290)

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER ENTERPRISE FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 491	$ 207	$ 102	$ 800	$ 777
ACCOUNTS RECEIVABLE		56		56	46
INTERFUND RECEIVABLES (NOTE 2)		29		29	
INVENTORIES, at cost			4	4	5
TOTAL CURRENT ASSETS	491	292	106	889	828
LAND, at cost		29		29	
STRUCTURES AND IMPROVEMENTS, at cost		85		85	
MACHINERY AND EQUIPMENT, at cost	3	235	204	442	464
LESS ACCUMULATED DEPRECIATION	(3)	(142)	(184)	(329)	(324)
TOTAL FIXED ASSETS	-	207	20	227	140
TOTAL ASSETS	$ 491	$ 499	$ 126	$1,116	$ 968
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE		$ 13	$ 19	$ 32	$ 19
ACCOUNTS PAYABLE AND ACCRUALS		82	56	138	119
INTERFUND PAYABLES (Note 2)		4	3	7	6
DEFERRED REVENUE					3
TOTAL LIABILITIES		99	78	177	147
FUND EQUITY (Note 2):					
CONTRIBUTED CAPITAL		490	217	707	593
RETAINED EARNINGS (DEFICIT):					
UNRESERVED	$ 491	(90)	(169)	232	228
TOTAL FUND EQUITY	491	400	48	939	821
TOTAL LIABILITIES AND FUND EQUITY	$ 491	$ 499	$ 126	$1,116	$ 968

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 6	$ 654	$ 732	$ 1,392	$ 1,293
INTEREST INCOME	41			41	38
TOTAL OPERATING REVENUES	47	654	732	1,433	1,331
OPERATING EXPENSES:					
PERSONAL SERVICES		462	358	820	722
CONTRACTUAL SERVICES		94	41	135	137
MATERIALS AND SUPPLIES		69	350	419	387
RENTALS AND INSURANCE		5		5	6
DEPRECIATION AND AMORTIZATION	1	21	5	27	34
OTHER		15	8	23	24
TOTAL OPERATING EXPENSES	1	666	762	1,429	1,310
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	46	(12)	(30)	4	21
OTHER CHANGES IN FUND EQUITY:					
CONTRIBUTED FIXED ASSETS		114		114	
NET CHANGE IN FUND EQUITY	46	102	(30)	118	21
FUND EQUITY, JULY 1	445	298	78	821	800
FUND EQUITY, JUNE 30 (Note 2)	$ 491	$ 400	$ 48	$ 939	$ 821

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	HOUSING REHABILITATION CORPORATION	FEDERAL PROPERTY UTILIZATION	STATE EMPLOYEES' CAFETERIA	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME (LOSS)	$ 46	$ (12)	$ (30)	$ 4	$ 21
ITEMS NOT REQUIRING WORKING CAPITAL- DEPRECIATION AND AMORTIZATION	1	21	5	27	34
WORKING CAPITAL PROVIDED BY OPERATIONS	47	9	(25)	31	55
DISPOSAL OF MACHINERY AND EQUIPMENT			3	3	9
TOTAL SOURCES OF WORKING CAPITAL	47	9	(22)	34	64
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT			3	3	30
TOTAL USES OF WORKING CAPITAL			3	3	30
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 47	$ 9	$ (25)	$ 31	$ 34
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ 44	$ (23)	$ 2	$ 23	$ 51
ACCOUNTS RECEIVABLE		10		10	(23)
INTERFUND RECEIVABLES		29		29	
INVENTORIES			(1)	(1)	(1)
WARRANTS PAYABLE		2	(15)	(13)	6
ACCOUNTS PAYABLE AND ACCRUALS		(9)	(10)	(19)	(1)
INTERFUND PAYABLES			(1)	(1)	
DEFERRED REVENUE	3			3	2
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 47	$ 9	$ (25)	$ 31	$ 34

See accompanying Notes to the Financial Statements.

Internal Service Funds

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost reimbursement basis. The following operations are included in these funds:

Information System Services, a division of the Department of Finance and Administration - This agency functions as the data processing service bureau for state government;

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles;

Printing, a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville and has responsibility for the installation and management of state-owned copier machines located in selected state agencies with high volume activity;

Building Management, a division of the Department of General Services -This division is responsible for the maintenance, repair and upkeep of selected state owned buildings located in Chattanooga, Memphis and Jackson;

Communications Management, a division of the Department of General Services - This division is responsible for designing, implementing, and operating a voice, data, and telephone communications system.

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied by the universities on users of the facilities provide the funds necessary for payment of principal and interest on bonds. Any collections in excess of these requirements are retained by the institutions to cover administrative fees, building maintenance and related costs;

Other - Three smaller internal service agencies are included in this group, as follows:

1. Legislative Services, a division of the Legislative branch - This division collects revenue from the printing and distribution of proposed bills, legislative calendars and other information during the legislative session;

2. Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol;

3. Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	INFORMATION SYSTEM SERVICES	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	$ 6,998	$ 8,366	$ 1,384
CASH ON DEPOSIT WITH FISCAL AGENT		6	
ACCOUNTS RECEIVABLE		81	3
INTERFUND RECEIVABLES (Note 2)		76	197
INVENTORIES, at cost			
PREPAID EXPENSES	11		
TOTAL CURRENT ASSETS	7,009	8,529	1,584
OTHER ASSETS:			
INVESTMENTS, at cost			
DEFERRED CHARGES			
TOTAL OTHER ASSETS			
FIXED ASSETS:			
LAND, at cost		168	
STRUCTURES AND IMPROVEMENTS, at cost	20,602	19,092	2,159
MACHINERY AND EQUIPMENT, at cost		(7,115)	(998)
LESS ACCUMULATED DEPRECIATION	(14,620)		
TOTAL FIXED ASSETS	5,982	12,145	1,161
TOTAL ASSETS	$ 12,991	$ 20,674	$ 2,745
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES:			
WARRANTS PAYABLE	$ 75	$ 190	$ 27
ACCOUNTS PAYABLE AND ACCRUALS:			
ACCOUNTS PAYABLE	965	761	199
ACCRUED PAYROLL AND RELATED DEDUCTIONS	675	76	139
INTERFUND PAYABLES (Note 2)	53	7	10
DEFERRED REVENUE			
TOTAL CURRENT LIABILITIES	1,768	1,034	375
LONG-TERM DEBT:			
BONDS PAYABLE (Note 3)			
CALL PREMIUMS PAYABLE			
TOTAL LONG-TERM DEBT			
TOTAL LIABILITIES	1,768	1,034	375
FUND EQUITY (Note 2):			
CONTRIBUTED CAPITAL:			
CAPITAL GRANTS		121	
GOVERNMENT'S CONTRIBUTION	9,387	12,021	1,419
RETAINED EARNINGS (DEFICIT)	1,836	7,498	951
TOTAL FUND EQUITY	11,223	19,640	2,370
TOTAL LIABILITIES AND FUND EQUITY	$ 12,991	$ 20,674	$ 2,745

See accompanying Notes to the Financial Statements.

BUILDING MANAGEMENT	COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
$ 679	$ 3,461	$ 2,707	$ 854	$ 24,449	$ 14,596
		821		821	817
			2	8	11
			1	85	138
			61	334	342
			23	34	43
679	3,461	3,528	941	25,731	15,947
		52,574		52,574	52,495
		237		237	410
		52,811		52,811	52,905
1,468				1,468	1,468
12,133				12,301	12,228
31	2,385		269	44,538	39,017
(2,795)	(437)		(142)	(26,107)	(25,538)
10,837	1,948		127	32,200	27,175
$ 11,516	$ 5,409	$ 56,339	$ 1,068	$ 110,742	$ 96,027
$ 40	$ 26	$ 41	$ 54	$ 453	$ 405
64	199	272	35	2,495	1,381
50	23		56	1,019	828
3	3		3	79	63
		771		771	617
157	251	1,084	148	4,817	3,294
		52,300		52,300	52,274
		1,533		1,533	1,533
		53,833		53,833	53,807
157	251	54,917	148	58,650	57,101
				121	121
12,242	5,050		340	40,459	29,801
(883)	108	1,422	580	11,512	9,004
11,359	5,158	1,422	920	52,092	38,926
$ 11,516	$ 5,409	$ 56,339	$ 1,068	$ 110,742	$ 96,027

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	BUILDING MANAGEMENT
OPERATING REVENUES:				
CHARGES FOR SERVICES	$ 15,579	$ 9,864	$ 3,249	$ 1,536
INTEREST INCOME				
OTHER	15	80		
TOTAL OPERATING REVENUES	15,594	9,944	3,249	1,536
OPERATING EXPENSES:				
PERSONAL SERVICES	6,319	790	1,318	412
CONTRACTUAL SERVICES	2,105	131	426	1,016
MATERIALS AND SUPPLIES	614	3,170	1,056	40
RENTALS AND INSURANCE	4,979	136	117	1
INTEREST				
DEPRECIATION AND AMORTIZATION	1,866	2,838	382	401
OTHER	34	8	71	15
TOTAL OPERATING EXPENSES	15,917	7,073	3,370	1,885
OPERATING INCOME (LOSS)	(323)	2,871	(121)	(349)
NONOPERATING REVENUES				
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(323)	2,871	(121)	(349)
OPERATING TRANSFERS FROM (TO) GENERAL FUND	2			
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	(321)	2,871	(121)	(349)
OTHER CHANGES IN FUND EQUITY:				
CONTRIBUTED FIXED ASSETS		1,041		
CHARGE FROM REASSIGNMENT OF OPERATIONS TO GENERAL FUND				
EQUITY TRANSFER FROM (TO) GENERAL FUND	4,500	260	(194)	
NET CHANGE IN FUND EQUITY	4,179	4,172	(315)	(349)
FUND EQUITY, JULY 1 (Note 2)	7,044	15,468	2,685	11,708
FUND EQUITY, JUNE 30	$ 11,223	$ 19,640	$ 2,370	$ 11,359

See accompanying Notes to the Financial Statements.

COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
$ 1,431		$ 2,949	$ 34,608	$ 36,040
	$ 3,374		3,374	3,037
			95	87
1,431	3,374	2,949	38,077	39,164
300		736	9,875	9,108
321		328	4,327	3,787
226		1,761	6,867	10,931
25		3	5,261	4,289
	2,909		2,909	3,063
437	199	27	6,150	4,948
14		39	181	263
1,323	3,108	2,894	35,570	36,389
108	266	55	2,507	2,775
				121
108	266	55	2,507	2,896
			2	31
108	266	55	2,509	2,927
			1,041	166
				(3,290)
5,050			9,616	(9)
5,158	266	55	13,166	(206)
	1,156	865	38,926	39,132
$ 5,158	$ 1,422	$ 920	$ 52,092	$ 39,926

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	BUILDING MANAGEMENT
SOURCES OF WORKING CAPITAL:				
OPERATIONS:				
NET INCOME (LOSS)	$ (321)	$ 2,871	$ (121)	$ (349)
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	1,866	2,838	382	401
WORKING CAPITAL PROVIDED BY OPERATIONS	1,545	5,709	261	52
DISPOSAL OF MACHINERY AND EQUIPMENT	5	618	45	1
EQUITY TRANSFERS FROM GENERAL FUND	4,500	260		
TOTAL SOURCES OF WORKING CAPITAL	6,050	6,587	306	53
USES OF WORKING CAPITAL:				
PURCHASE OF LONG-TERM INVESTMENTS				
ACQUISITION OF FIXED ASSETS	3,363	4,271	586	5
CHARGE FROM REASSIGNMENT OF OPERATIONS TO GENERAL FUND				
EQUITY TRANSFER TO GENERAL FUND			194	
TOTAL USES OF WORKING CAPITAL	3,363	4,271	780	5
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 2,687	$ 2,316	$ (474)	$ 48
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
CASH AND CASH EQUIVALENTS	$ 3,255	$ 2,646	$ (354)	$ 85
CASH ON DEPOSIT WITH FISCAL AGENT				
ACCOUNTS RECEIVABLE		2		
INTERFUND RECEIVABLES		(83)	3	
INVENTORIES		24	(5)	
PREPAID EXPENSES	(11)			
WARRANTS PAYABLE	(6)	24	(3)	(15)
ACCOUNTS PAYABLE AND ACCRUALS	(542)	(295)	(113)	(22)
INTERFUND PAYABLES	(9)	(2)	(2)	
NOTES PAYABLE				
DEFERRED REVENUE				
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 2,687	$ 2,316	$ (474)	$ 48

See accompanying Notes to the Financial Statements.

COMMUNICATIONS MANAGEMENT	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
$ 108	$ 266	$ 55	**$ 2,509**	$ 2,927
437	199	27	**6,150**	4,948
545	465	82	**8,659**	7,875
5,050		9	**678**	1,084
			9,810	
5,595	465	91	**19,147**	8,959
2,385	79	1	**79**	78
			10,611	6,302
				3,290
			194	9
2,385	79	1	**10,884**	9,679
$ 3,210	$ 386	$ 90	**$ 8,263**	$ (720)
$ 3,461	$ 650	$ 111	**$ 9,854**	$ (60,536)
	4		**4**	(3,392)
		(1)	**1**	(164)
		1	**(79)**	138
		(27)	**(8)**	(3,563)
(26)	(41)	1	**(10)**	25
(222)	(73)	21	**(46)**	437
(3)		(16)	**(1,283)**	6,497
			(16)	7
	(154)		**(154)**	60,232
				(401)
$ 3,210	$ 386	$ 90	**$ 8,263**	$ (720)

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER INTERNAL SERVICE FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	$ 174	$ 272	$ 408	$ 854	$ 743
ACCOUNTS RECEIVABLE	1		1	2	3
INTERFUND RECEIVABLES (Note 2)			1	1	
INVENTORIES, at cost		39	22	61	88
PREPAID EXPENSES		8	15	23	22
TOTAL CURRENT ASSETS	175	319	447	941	856
FIXED ASSETS:					
MACHINERY AND EQUIPMENT, at cost		199	70	269	304
LESS ACCUMULATED DEPRECIATION		(116)	(26)	(142)	(142)
TOTAL FIXED ASSETS		83	44	127	162
TOTAL ASSETS	$ 175	$ 402	$ 491	$ 1,068	$1,018
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
CURRENT LIABILITIES:					
WARRANTS PAYABLE		$ 13	$ 41	$ 54	$ 75
ACCOUNTS PAYABLE AND ACCRUALS:					
ACCOUNTS PAYABLE		25	10	35	29
ACCRUED PAYROLL AND RELATED DEDUCTIONS	$ 1	14	41	56	46
INTERFUND PAYABLES (Note 2)			3	3	3
TOTAL LIABILITIES	1	52	95	148	153
FUND EQUITY:					
CONTRIBUTED CAPITAL	88	188	64	340	340
RETAINED EARNINGS	86	162	332	580	525
TOTAL FUND EQUITY	174	350	396	920	865
TOTAL LIABILITIES AND FUND EQUITY	$ 175	$ 402	$ 491	$ 1,068	$1,018

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
OPERATING REVENUES:					
CHARGES FOR SERVICES	$ 119	$ 663	$ 2,167	$ 2,949	$ 2,540
TOTAL OPERATING REVENUES	119	663	2,167	2,949	2,540
OPERATING EXPENSES:					
PERSONAL SERVICES	12	280	444	736	612
CONTRACTUAL SERVICES	70	180	78	328	286
MATERIALS AND SUPPLIES		156	1,605	1,761	1,535
RENTALS AND INSURANCE	1		2	3	2
DEPRECIATION AND AMORTIZATION		19	8	27	28
OTHER		2	37	39	18
TOTAL OPERATING EXPENSES	83	637	2,174	2,894	2,481
NET INCOME (LOSS)/CHANGE IN FUND EQUITY	36	26	(7)	55	59
FUND EQUITY, JULY 1	138	324	403	865	806
FUND EQUITY, JUNE 30	$ 174	$ 350	$ 396	$ 920	$ 865

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
OTHER INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	LEGISLATIVE SERVICES	CAPITOL PRINT SHOP	POSTAL SERVICES	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	TOTALS FOR THE YEAR ENDED JUNE 30, 1984
SOURCES OF WORKING CAPITAL:					
OPERATIONS:					
NET INCOME (LOSS)	$ 36	$ 26	$ (7)	$ 55	$ 59
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION		19	8	27	28
WORKING CAPITAL PROVIDED BY OPERATIONS	36	45	1	82	87
DISPOSAL OF MACHINERY AND EQUIPMENT		3	6	9	
TOTAL SOURCES OF WORKING CAPITAL	36	48	7	91	87
USES OF WORKING CAPITAL:					
ACQUISITION OF MACHINERY AND EQUIPMENT			1	1	8
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 36	$ 48	$ 6	$ 90	$ 79
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:					
CASH AND CASH EQUIVALENTS	$ 37	$ 59	$ 15	$ 111	$ 103
ACCOUNTS RECEIVABLE			(1)	(1)	(12)
INTERFUND RECEIVABLES			1	1	
INVENTORIES		1	(28)	(27)	(5)
PREPAID EXPENSES		(4)	5	1	14
WARRANTS PAYABLE			21	21	(17)
ACCOUNTS PAYABLE AND ACCRUALS	(1)	(8)	(7)	(16)	(3)
INTERFUND PAYABLES					(1)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 36	$ 48	$ 6	$ 90	$ 79

See accompanying Notes to the Financial Statements.

Trust And Agency Funds

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity. Trust funds include the Employment Security Fund, Employee Group Insurance Fund, the Local Government Investment Fund, the Claims Award Fund, the Community Development Fund, the Student Assistance Corporation Fund, the Board of Equalization Loan Fund, the Chairs of Excellence Fund and the Pension Trust Fund. The Local Government Fund and the Contingent Revenue Fund are agency funds.

Expendable Trust Funds:

Employment Security Fund - This fund is maintained to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U. S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Employment Security are expenditures of the General Fund.

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978 medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds with the treasurer than they could realize individually.

Claims Award - This fund was created in 1985 to pay awards for claims made against the state once validity of the claims has been determined by the Tennessee Claims Commission.

Community Development - This fund is used to account for loans made to communities under the federal Community Development Block Grant program for purposes of local company development.

Nonexpendable Trust Funds:

Student Assistance Corporation Fund - This fund is used to account for the operations of the Tennessee Student Assistance Corporation (TSAC), a nonprofit organization created to administer loan and grant programs to students attending higher education institutions. TSAC was established in 1974 to (1) guarantee loans made to eligible students, (2) administer state awards of financial assistance to eligible students, and (3) administer the nursing and medical loan scholarship programs.

Board of Equalization Loan Fund - This fund was created in 1963 to account for state loans to city and county governments for a program of assessment, reassessment or equalization of property taxes. In 1967 the program was expanded to enable grants also to be made for these purposes. Cash in the fund not needed for loans or grants may be transferred to other state activities by legislative act.

Chairs of Excellence - This fund was created by the General Assembly in 1985. Its purpose is to endow faculty chairs at the State Board of Regents and University of Tennessee campuses in order to attract more highly qualified professors. For a chair to be established, private contributions which a school collects are matched by the monies the state has appropriated to fund this program. The chair also receives the interest earned from investment of these matched monies.

Pension Trust Fund:

The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1981 contributions of up to 5% of the earnable compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of June 30, 1983. As of that date there were 139,987 active members and 42,120 retired members representing a 1.2% decrease and 17.4% increase, respectively, since the previous actuarial valuation in 1981.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for unearned federal revenues, refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	EXPENDABLE TRUST	NONEXPENDABLE TRUST	PENSION TRUST	AGENCY LOCAL GOVERNMENT	AGENCY CONTINGENT REVENUE	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
CASH AND CASH EQUIVALENTS	$ 113,745	$ 37,733	$ 380,477	$ 85,655	$ 105,420	$ 723,030	$ 524,696
CASH ON DEPOSIT WITH FISCAL AGENT	338,666					338,666	187,561
INVESTMENTS, at cost or amortized cost			3,552,354			3,552,354	3,145,478
RECEIVABLES:							
INTEREST AND DIVIDENDS		82	61,360			61,442	59,205
DUE FROM OTHER GOVERNMENTS	3,409	2,941	11,638		10,916	28,904	22,841
NOTES RECEIVABLE		1,684				1,684	1,477
OTHER, net of allowance for uncollectibles of $18,129 in 1985 and $18,844 in 1984 (Note 1)	74,566	40	15,999			90,605	121,099
INTERFUND RECEIVABLES (Note 2)	50		8,315		8,100	16,465	11,004
MACHINERY AND EQUIPMENT, at cost		9				9	8
LESS ACCUMULATED DEPRECIATION		(4)				(4)	(3)
TOTAL ASSETS	$ 530,436	$ 42,485	$ 4,030,143	$ 85,655	$ 124,436	$ 4,813,155	$ 4,073,366
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 4,549	$ 660	$ 627	$ 408	$ 8,731	$ 14,975	$ 4,822
ACCOUNTS PAYABLE AND ACCRUALS	16,161	424	34,969	85,247	50,348	187,149	174,669
INTERFUND PAYABLES (Note 2)	13,793	4				13,797	1,831
DEFERRED REVENUE	6,123					6,123	1,220
MEMBERS DEPOSITS	60,860					60,860	38,160
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS			43,035			43,035	46,335
AMOUNTS HELD IN CUSTODY FOR OTHERS					65,357	65,357	132,002
ADVANCES FROM FEDERAL GOVERNMENT	3,435	1,349				4,784	1,349
TOTAL LIABILITIES	104,921	2,437	78,631	85,655	124,436	396,080	400,388
FUND BALANCES:							
CONTRIBUTED CAPITAL		21,894				21,894	3,894
CONTRIBUTED CAPITAL FROM PRIVATE SOURCES		3,375				3,375	
RESERVED FOR PENSION BENEFITS			3,951,512			3,951,512	3,375,591
RESERVED FOR CHAIRS OF EXCELLENCE		1,082				1,082	
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	405,286					405,286	277,334
RESERVED FOR GUARANTEED STUDENT LOANS		10,065				10,065	7,968
UNRESERVED	20,229	3,632				23,861	8,191
TOTAL FUND BALANCES	425,515	40,048	3,951,512			4,417,075	3,672,978
TOTAL LIABILITIES AND FUND BALANCES	$ 530,436	$ 42,485	$ 4,030,143	$ 85,655	$ 124,436	$ 4,813,155	$ 4,073,366

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	CLAIMS AWARD	COMMUNITY DEVELOPMENT	TOTALS JUNE 30, 1985	TOTALS JUNE 30, 1984
CASH AND CASH EQUIVALENTS		$ 31,372	$ 74,688	$ 7,659	$ 26	$ 113,745	$ 62,237
CASH ON DEPOSIT WITH FISCAL AGENT	$ 338,311	355				338,666	187,561
RECEIVABLES:							
DUE FROM OTHER GOVERNMENTS					3,409	3,409	
OTHER, net of allowance for uncollectibles of $18,129 in 1985 and $18,844 in 1984 (Note 1)	74,410	156				74,566	93,830
INTERFUND RECEIVABLES (Note 2)	50					50	2,626
TOTAL ASSETS	$ 412,771	$ 31,883	$ 74,688	$ 7,659	$ 3,435	$ 530,436	$ 346,254
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 3,151	$ 1,398				$ 4,549	$ 874
ACCOUNTS PAYABLE AND ACCRUALS	2,662	13,499				16,161	22,309
INTERFUND PAYABLES (Note 2)	3		$ 13,790			13,793	1,828
DEFERRED REVENUE	1,669	4,454				6,123	1,220
MEMBERS DEPOSITS			60,860			60,860	38,160
ADVANCES FROM FEDERAL GOVERNMENT					$ 3,435	3,435	
TOTAL LIABILITIES	7,485	19,351	74,650		3,435	104,921	64,481
FUND BALANCES:							
RESERVED FOR UNEMPLOYMENT COMPENSATION BENEFITS	405,286					405,286	277,334
UNRESERVED		12,532	38	$ 7,659		20,229	4,439
TOTAL FUND BALANCES	405,286	12,532	38	7,659		425,515	281,773
TOTAL LIABILITIES AND FUND BALANCES	$ 412,771	$ 31,883	$ 74,688	$ 7,659	$ 3,435	$ 530,436	$ 346,254

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	EMPLOYMENT SECURITY	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	CLAIMS AWARD	TOTALS FOR THE YEAR ENDED JUNE 30, 1985	JUNE 30, 1984
REVENUES:						
EMPLOYER PREMIUMS	$ 265,936				**$ 265,936**	$ 345,717
MEMBER CONTRIBUTIONS		$ 28,228			**28,228**	24,826
STATE CONTRIBUTIONS		54,485		$ 8,237	**62,722**	51,071
INTEREST INCOME	27,670	2,008	$ 4,786		**34,464**	12,238
FEDERAL	28,123				**28,123**	59,156
OTHER	2,372				**2,372**	1,643
TOTAL REVENUES	324,101	84,721	4,786	8,237	**421,845**	494,651
EXPENDITURES:						
BENEFITS	195,520	61,268		578	**257,366**	270,961
REFUNDS	629				**629**	1,305
INSURANCE PREMIUMS		14,008			**14,008**	10,545
INTEREST ON DEPOSITS			4,707		**4,707**	3,553
ADMINISTRATIVE FEES		1,352	41		**1,393**	1,489
TOTAL EXPENDITURES	196,149	76,628	4,748	578	**278,103**	287,853
EXCESS OF REVENUES OVER EXPENDITURES	127,952	8,093	38	7,659	**143,742**	206,798
FUND BALANCES, JULY 1 (Note 2)	277,334	4,439			**281,773**	74,975
FUND BALANCES, JUNE 30	$ 405,286	$ 12,532	$ 38	$ 7,659	**$ 425,515**	$ 281,773

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
NONEXPENDABLE AND PENSION TRUST FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	NONEXPENDABLE TRUST: STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB TOTAL	PENSION TRUST	TOTALS: JUNE 30, 1985	JUNE 30, 1984
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	$ 12,137	$ 10,264	$ 15,332	$ 37,733	$ 380,477	$ 418,210	$ 312,426
INVESTMENTS, at cost or amortized cost					43,035	43,335	137,985
RECEIVABLES:							
INTEREST AND DIVIDENDS	82			82	61,360	61,442	59,205
DUE FROM OTHER GOVERNMENTS	800	2,141		2,941	11,638	14,579	13,176
NOTES RECEIVABLE	1,684			1,684		1,684	1,477
OTHER	40			40	15,999	16,039	27,269
INTERFUND RECEIVABLES (Note 2)					8,315	8,315	3,157
TOTAL CURRENT ASSETS	14,743	12,405	15,332	42,480	520,824	563,304	554,695
OTHER ASSETS:							
LONG-TERM INVESTMENTS, at cost or amortized cost					3,509,319	3,509,319	3,007,493
MACHINERY AND EQUIPMENT, at cost	9			9		9	8
LESS ACCUMULATED DEPRECIATION	(4)			(4)		(4)	(3)
TOTAL FIXED ASSETS	5			5		5	5
TOTAL ASSETS	$ 14,748	$ 12,405	$ 15,332	$ 42,485	$4,030,143	$ 4,072,628	$ 3,562,193
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 660			$ 660	$ 627	$ 1,287	$ 1,049
ACCOUNTS PAYABLE AND ACCRUALS	424			424	34,969	35,393	30,602
INTERFUND PAYABLES (Note 2)	4			4		4	3
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS					43,035	43,035	46,335
AMOUNTS HELD IN CUSTODY FOR OTHERS							91,650
ADVANCE FROM FEDERAL GOVERNMENT	1,349			1,349		1,349	1,349
TOTAL LIABILITIES	2,437			2,437	78,631	81,068	170,988
FUND BALANCES							
CONTRIBUTED CAPITAL		$ 11,019	$ 10,875	21,894		21,894	3,894
CONTRIBUTED CAPITAL FROM PRIVATE SOURCES			3,375	3,375		3,375	
RESERVED FOR PENSION BENEFITS					3,951,512	3,951,512	3,375,591
RESERVED FOR CHAIRS OF EXCELLENCE			1,082	1,082		1,082	
RESERVED FOR GUARANTEED STUDENT LOANS	10,065			10,065		10,065	7,968
UNRESERVED	2,246	1,386		3,632		3,632	3,752
TOTAL FUND BALANCES	12,311	12,405	15,332	40,048	3,951,512	3,991,560	3,391,205
TOTAL LIABILITIES AND FUND BALANCES	$ 14,748	$ 12,405	$ 15,332	$ 42,485	$4,030,143	$ 4,072,628	$ 3,562,193

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1985	JUNE 30, 1984
OPERATING REVENUES:							
MEMBER CONTRIBUTIONS					$ 66,726	$ 66,726	$ 59,777
STATE CONTRIBUTIONS					295,356	295,356	256,969
POLITICAL SUBDIVISION CONTRIBUTIONS					35,680	35,680	35,514
INTEREST INCOME	$ 1,053	$ 48		$ 1,101	215,889	216,990	208,834
DIVIDEND INCOME					38,338	38,338	33,570
NET INCOME FROM INVESTMENT TRANSACTIONS			$ 1,120	1,120	40,646	41,766	66,729
DISCOUNT AMORTIZATION					59,323	59,323	34,797
OTHER	1,122			1,122		1,122	1,058
TOTAL OPERATING REVENUES	2,175	48	1,120	3,343	751,958	755,301	697,248
OPERATING EXPENSES:							
PAYMENTS TO TIAA-CREF					17,598	17,598	14,451
BENEFITS					185,665	185,665	168,412
REFUNDS					22,774	22,774	23,259
AWARDS			20	20		20	
LOAN CANCELLATIONS	78			78		78	175
ADMINISTRATIVE FEES	1,095		18	1,113		1,113	788
TOTAL OPERATING EXPENSES	1,173		38	1,211	226,037	227,248	207,085
OPERATING INCOME	1,002	48	1,082	2,132	525,921	528,053	490,163
NONOPERATING REVENUES (EXPENSES):							
OPERATING GRANTS	1,875			1,875		1,875	1,510
GRANT EXPENSE	(8,281)			(8,281)		(8,281)	(6,942)
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,406)			(6,406)		(6,406)	(5,432)
INCOME (LOSS) BEFORE OPERATING TRANSFER	(5,404)	48	1,082	(4,274)	525,921	521,647	484,731
OPERATING TRANSFER FROM GENERAL FUND	7,333			7,333	50,000	57,333	6,079
OPERATING TRANSFER FROM SPECIAL REVENUE FUND							56
NET INCOME	1,929	48	1,082	3,059	575,921	578,980	490,866
OTHER CHANGES IN FUND EQUITY:							
EQUITY TRANSFER FROM GENERAL FUND		7,125	10,000	17,125		17,125	
EQUITY TRANSFER FROM COLLEGE AND UNIVERSITY FUNDS			875	875		875	
CONTRIBUTIONS FROM PRIVATE SOURCES			3,375	3,375		3,375	
NET CHANGE IN FUND EQUITY	1,929	7,173	15,332	24,434	575,921	600,355	490,866
FUND BALANCES, JULY 1 (Note 2)	10,382	5,232		15,614	3,375,591	3,391,205	2,900,339
FUND BALANCES, JUNE 30	$ 12,311	$ 12,405	$ 15,332	$ 40,048	$3,951,512	$ 3,991,560	$ 3,391,205

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	NONEXPENDABLE TRUST					TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	CHAIRS OF EXCELLENCE	SUB-TOTAL	PENSION TRUST	JUNE 30, 1985	JUNE 30, 1984
SOURCES OF WORKING CAPITAL:							
OPERATIONS:							
NET INCOME	$ 1,929	$ 48	$ 1,082	$ 3,059	$ 575,921	$ 578,980	$ 490,866
ITEMS NOT PROVIDING WORKING CAPITAL - DISCOUNT AMORTIZATION					(59,323)	(59,323)	(34,797)
WORKING CAPITAL PROVIDED BY OPERATIONS	1,929	48	1,082	3,059	516,598	519,657	456,069
EQUITY TRANSFER FROM GENERAL FUND		7,125	10,000	17,125		17,125	
EQUITY TRANSFER FROM COLLEGE AND UNIVERSITY FUNDS			875	875		875	
CONTRIBUTIONS FROM PRIVATE SOURCES			3,375	3,375		3,375	
TOTAL SOURCES OF WORKING CAPITAL	1,929	7,173	15,332	24,434	516,598	541,032	456,069
USES OF WORKING CAPITAL:							
PURCHASE OF LONG-TERM INVESTMENTS					442,503	442,503	332,416
NET INCREASE IN WORKING CAPITAL	$ 1,929	$ 7,173	$ 15,332	$ 24,434	$ 74,095	$ 98,529	$ 123,653
ELEMENTS OF NET CHANGES IN WORKING CAPITAL:							
CASH	$ 2,224	$ 7,273	$ 15,332	$ 24,829	$ 80,955	$ 105,784	$ 101,058
INVESTMENTS					(94,950)	(94,950)	(10,730)
RECEIVABLES	167	(100)		67	(7,450)	(7,383)	33,809
INTERFUND RECEIVABLES					5,158	5,158	73
WARRANTS PAYABLE	(405)			(405)	167	(238)	4
ACCOUNTS PAYABLE AND ACCRUALS	(56)			(56)	(4,735)	(4,791)	(11,291)
INTERFUND PAYABLES	(1)			(1)		(1)	
OBLIGATIONS UNDER REVERSE REPURCHASE AGREEMENTS					3,300	3,300	(29,335)
AMOUNTS HELD IN CUSTODY FOR OTHERS					91,650	91,650	40,065
NET INCREASE IN WORKING CAPITAL	$ 1,929	$ 7,173	$ 15,332	$ 24,434	$ 74,095	$ 98,529	$ 123,653

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

LOCAL GOVERNMENT FUND	BALANCE JULY 1, 1984	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1985
ASSETS				
CASH AND CASH EQUIVALENTS	$ 78,982	$ 802,431	$ 795,758	$ 85,655
LIABILITIES				
WARRANTS PAYABLE	$ 239	$ 787,202	$ 787,033	$ 408
DUE TO OTHER GOVERNMENTS	78,743	802,431	795,927	85,247
TOTAL LIABILITIES	$ 78,982	$ 1,589,633	$ 1,582,960	$ 85,655
CONTINGENT REVENUE FUND				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 71,051	$ 1,463,812	$ 1,429,443	$ 105,420
DUE FROM OTHER GOVERNMENTS	9,665	10,916	9,665	10,916
INTERFUND RECEIVABLES (Note 2)	5,221	8,100	5,221	8,100
TOTAL ASSETS	$ 85,937	$ 1,482,828	$ 1,444,329	$ 124,436
LIABILITIES				
WARRANTS PAYABLE	$ 2,660	$ 44,946	$ 38,875	$ 8,731
DUE TO OTHER GOVERNMENTS	42,925	460,398	452,975	50,348
AMOUNTS HELD IN CUSTODY FOR OTHERS	40,352	1,009,693	984,688	65,357
TOTAL LIABILITIES	$ 85,937	$ 1,515,037	$ 1,476,538	$ 124,436
TOTALS-ALL AGENCY FUNDS				
ASSETS				
CASH AND CASH EQUIVALENTS	$ 150,033	$ 2,266,243	$ 2,225,201	$ 191,075
DUE FROM OTHER GOVERNMENTS	9,665	10,916	9,665	10,916
INTERFUND RECEIVABLES (Note 2)	5,221	8,100	5,221	8,100
TOTAL ASSETS	$ 164,919	$ 2,285,259	$ 2,240,087	$ 210,091
LIABILITIES				
WARRANTS PAYABLE	$ 2,899	$ 832,148	$ 825,908	$ 9,139
DUE TO OTHER GOVERNMENTS	121,668	1,262,829	1,248,902	135,595
AMOUNTS HELD IN CUSTODY FOR OTHERS	40,352	1,009,693	984,688	65,357
TOTAL LIABILITIES	$ 164,919	$ 3,104,670	$ 3,059,498	$ 210,091

See accompanying Notes to the Financial Statements.

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service, Nonexpendable Trust and College and University Funds.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS - BY SOURCE
JUNE 30, 1985

(Expressed in Thousands)

GENERAL FIXED ASSETS:	
LAND	$ 56,316
STRUCTURES AND IMPROVEMENTS	640,541
EQUIPMENT	167,411
CONSTRUCTION IN PROGRESS	17,754
TOTAL GENERAL FIXED ASSETS	$ 882,022
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	$ 4,808
GENERAL OBLIGATIONS BONDS	11,192
FEDERAL GRANTS	5,577
LOCAL GRANTS	662
OTHER	4
GENERAL FUND REVENUES	22,922
SPECIAL REVENUE FUNDS REVENUES	8,547
DONATIONS	394
OTHER	78
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984	827,838
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	$ 882,022

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1985

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			$ 590	$ 590
CONSTITUTIONAL OFFICES			1,010	1,010
ADMINISTRATION	$ 10,965	$ 122,680	3,075	136,720
REVENUE	4	173	1,634	1,811
TOTAL GENERAL GOVERNMENT	10,969	122,853	6,309	140,131
EDUCATION	1,227	86,642	33,698	121,567
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS			9	9
EMPLOYMENT SECURITY	647	3,487	5,548	9,682
LABOR			732	732
MENTAL HEALTH AND MENTAL RETARDATION	2,521	127,303	9,175	138,999
HEALTH AND ENVIRONMENT	200	18,487	6,551	25,238
HUMAN SERVICES	26	6,211	5,403	11,640
TOTAL HEALTH AND SOCIAL SERVICES	3,394	155,488	27,418	186,300
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	250		1,558	1,808
CORRECTION	1,606	112,616	8,801	123,023
MILITARY	1,744	37,818	982	40,544
BUREAU OF CRIMINAL INVESTIGATION		1,112	2,085	3,197
SAFETY	231	11,210	13,427	24,868
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	3,831	162,756	26,853	193,440
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	147	4,644	903	5,694
TOURIST DEVELOPMENT			177	177
CONSERVATION	27,421	89,192	11,982	128,595
WILDLIFE RESOURCES	7,474	7,673	4,133	19,280
ECONOMIC AND COMMUNITY DEVELOPMENT			1,160	1,160
TOTAL RECREATION AND RESOURCES DEVELOPMENT	35,042	101,509	18,355	154,906
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE			351	351
FINANCIAL INSTITUTIONS			48	48
TOTAL REGULATION OF BUSINESS AND PROFESSIONS			399	399
TRANSPORTATION	1,853	11,293	54,379	67,525
TOTALS ALLOCATED TO FUNCTIONS	**$ 56,316**	**$ 640,541**	**$ 167,411**	**864,268**
CONSTRUCTION IN PROGRESS				**17,754**
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)				**$ 882,022**

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS, JULY 1, 1984	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS, JUNE 30, 1985
GENERAL GOVERNMENT:				
LEGISLATIVE	$ 536	$ 78	$ 24	$ 590
CONSTITUTIONAL OFFICES	674	380	44	1,010
ADMINISTRATION	123,439	13,596	315	136,720
REVENUE	1,602	722	513	1,811
TOTAL GENERAL GOVERNMENT	126,251	14,776	896	140,131
EDUCATION	121,713	826	972	121,567
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	9			9
EMPLOYMENT SECURITY	8,695	1,580	593	9,682
LABOR	627	140	35	732
MENTAL HEALTH AND MENTAL RETARDATION	138,858	1,781	1,640	138,999
HEALTH AND ENVIRONMENT	24,312	1,706	780	25,238
HUMAN SERVICES	11,284	644	288	11,640
TOTAL HEALTH AND SOCIAL SERVICES	183,785	5,851	3,336	186,300
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	1,789	109	90	1,808
CORRECTION	121,143	2,656	776	123,023
MILITARY	39,530	1,307	293	40,544
BUREAU OF CRIMINAL INVESTIGATION	2,392	1,092	287	3,197
SAFETY	24,623	4,520	4,275	24,868
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	189,477	9,684	5,721	193,440
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	5,535	191	32	5,694
TOURIST DEVELOPMENT	90	97	10	177
CONSERVATION	126,351	4,957	2,713	128,595
WILDLIFE RESOURCES	17,578	1,828	126	19,280
ECONOMIC AND COMMUNITY DEVELOPMENT	1,016	201	57	1,160
TOTAL RECREATION AND RESOURCES DEVELOPMENT	150,570	7,274	2,938	154,906
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE	268	93	10	351
FINANCIAL INSTITUTIONS	26	22		48
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	294	115	10	399
TRANSPORTATION	65,017	6,696	4,188	67,525
CONSTRUCTION IN PROGRESS	8,812	20,943	12,001	17,754
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)	$ 845,919	$ 66,165	$ 30,062	$ 882,022

See accompanying Notes to the Financial Statements.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds, for accrued annual and compensatory leave for employees paid from the Governmental Fund Types, and for capital lease obligations.

STATE OF TENNESSEE
STATEMENT OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

	BALANCE JULY 1, 1984	GENERAL OBLIGATION BONDS RETIRED	DEBT SERVICE FUND OPERATIONS	INCREASE IN ACCRUED LEAVE	CAPITAL LEASES	BALANCE JUNE 30, 1985
AMOUNT AVAILABLE IN DEBT SERVICE FUND	$ 6,574		$ (2,821)			$ 3,753
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	576,083	$ 50,125	2,821	$ 12,970	$ 91	541,840
TOTAL AVAILABLE AND TO BE PROVIDED	$ 582,657	$ 50,125	$ -	$ 12,970	$ 91	$ 545,593
GENERAL OBLIGATION DEBT PAYABLE (Note 3)	$ 530,820	$ 50,125				$ 480,695
ACCRUED ANNUAL AND COMPENSATORY LEAVE	51,837			$ 12,970		64,807
CAPITAL LEASE OBLIGATIONS (Note 3)					$ 91	91
	$ 582,657	$ 50,125	$ -	$ 12,970	$ 91	$ 545,593

See accompanying Notes to the Financial Statements.

College And University Funds

The College and University Funds are used to account for all transactions relating to public institutions of higher education and the state's area vocational-technical schools. These include seven universities, ten community colleges, four technical institutes and twenty-seven area vocational schools. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Department of Finance and Administration.

Two governing boards are responsible for the operations of these institutions - the University of Tennessee Board of Trustees and the State Board of Regents. Coordination between these boards for such things as budgetary and capital outlay requests, the need for and location of new education institutions, and the approval of new academic and degree programs is provided by the Tennessee Higher Education Commission.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

The State Board of Regents - The State University and Community College System of Tennessee was created by the General Assembly in 1972. Its member institutions (six universities, ten community colleges, four technical institutes and twenty-seven area vocational-technical schools) serve the state and its citizenry by providing education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville
East Tennessee State University	Johnson City
Memphis State University	Memphis
Middle Tennessee State University	Murfreesboro
Tennessee State University	Nashville
Tennessee Technological University	Cookeville

COMMUNITY COLLEGES

Chattanooga State Technical Community College	Chattanooga
Cleveland State Community College	Cleveland
Columbia State Community College	Columbia
Dyersburg State Community College	Dyersburg
Jackson State Community College	Jackson
Motlow State Community College	Tullahoma
Roane State Community College	Harriman
Shelby State Community College	Memphis
Volunteer State Community College	Gallatin
Walters State Community College	Morristown

The community college movement is relatively new in Tennessee. Emerging from legislative study in the early 1960's, nine of the ten existing colleges were established by the General Assembly between 1965 and 1969. The locations of these institutions were determined by population need patterns. An act of the 1973 General Assembly changed the Chattanooga State Technical Institute to Chattanooga State Technical Community College, representing the 10th community college in the state. A broad range of two-year associate degree programs and one-to-two year certificate of proficiency programs is offered by each college.

STATE TECHNICAL INSTITUTES

Effective July 1, 1983 the governance of the state technical institutes was transferred from the State Department of Education to the State Board of Regents. The names and locations of the state technical institutes are:

Nashville State Technical Institute	Nashville
State Technical Institute at Knoxville	Knoxville
State Technical Institute at Memphis	Memphis
Tri-Cities State Technical Institute	Blountville

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.

STATE AREA VOCATIONAL-TECHNICAL SCHOOLS

The state area vocational-technical schools were transferred from the State Department of Education to the State Board of Regents effective July 1, 1983. The twenty-seven area schools are located in the following Tennessee cities:

Athens	McMinnville
Chattanooga	Memphis
Covington	Morristown
Crossville	Murfreesboro
Dickson	Nashville
Elizabethton	Newbern
Harriman	Oneida
Hartsville	Paris
Hohenwald	Pulaski
Jacksboro	Ripley
Jackson	Savannah
Knoxville	Shelbyville
Livingston	Whiteville
McKenzie	

The purpose of the area vocational-technical schools is to provide occupational and technical training for current and future employees of existing and prospective industries and businesses of this state.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1985

(Expressed in Thousands)

ASSETS	CURRENT FUNDS UNRESTRICTED	CURRENT FUNDS RESTRICTED	LOAN	ENDOWMENT AND SIMILAR	LIFE INCOME
CASH AND CASH EQUIVALENTS	$ 123,145	$ 14,011	$ 3,481	$ 5,961	$ 378
CASH ON DEPOSIT WITH FISCAL AGENTS					
INVESTMENTS	6	432	35	40,037	12,764
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $16,067 in 1985 and $10,115 in 1984	29,084	21,632	1,064	38	6
NOTES RECEIVABLE, net of allowance for uncollectibles of $7,112 in 1985 and $6,696 in 1984	8,079	9	37,316	630	381
INTERFUND RECEIVABLES (Note 2)	5,441	1		937	
INVENTORIES	17,391	58			
PREPAID EXPENSES	2,764				
LAND					
STRUCTURES AND IMPROVEMENTS					
MACHINERY AND EQUIPMENT					
CONSTRUCTION IN PROGRESS					
OTHER ASSETS	14	200	60	1,437	
TOTAL ASSETS	$ 185,924	$ 36,343	$ 41,956	$ 49,040	$ 13,529
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
ACCOUNTS PAYABLE	$ 26,458	$ 2,812			
ACCRUED LIABILITIES	51,893	222			
INTERFUND PAYABLES (Note 2)	18,911	1,541		$ 1	$ 9
NOTES PAYABLE (Note 3)				16	
BONDS PAYABLE (Note 3)					
LEASE OBLIGATIONS PAYABLE (Note 3)					
DEFERRED REVENUE	22,281				
AMOUNTS HELD IN CUSTODY FOR OTHERS					
DEPOSITS PAYABLE	3,470	7			
OTHER	3,950				
TOTAL LIABILITIES	126,963	4,582		17	9
FUND EQUITY:					
NET INVESTMENT IN PLANT					
FUND BALANCE (Notes 1 and 2):					
RESERVED FOR:					
WORKING CAPITAL	43,019				
ENCUMBRANCES	12,479				
U. S. GOVERNMENT GRANTS REFUNDABLE			$ 34,546		
INSTITUTIONAL LOAN FUNDS			7,367		
ENDOWMENT				44,128	
TERM ENDOWMENT				6	
LIFE INCOME					13,520
PLANT					
OTHER	1,036	31,761			
UNRESERVED:					
DESIGNATED:					
INSTITUTIONAL LOAN FUNDS			43		
QUASI-ENDOWMENT				4,889	
OTHER	7,065				
UNDESIGNATED	(4,638)				
TOTAL FUND EQUITY	58,961	31,761	41,956	49,023	13,520
TOTAL LIABILITIES AND FUND BALANCE	$ 185,924	$ 36,343	$ 41,956	$ 49,040	$ 13,529

See accompanying Notes to the Financial Statements.

PLANT FUNDS					TOTALS	
UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY	JUNE 30, 1985	JUNE 30, 1984
$ 47,391	$ 15,482	$ 18,280		$ 8,087	$ 236,196	$ 183,489
		24,860			24,860	26,930
6,883	65	160		3,620	64,002	52,288
733	77	52		212	52,898	67,062
6,104						
5,799	2,638	81		652	52,519	37,017
					15,549	9,096
					17,449	16,334
					2,764	1,659
			$ 51,099		51,099	49,433
			1,055,932		1,055,932	1,012,224
			413,567		413,567	376,007
			26,689		26,689	21,679
				6	1,717	2,210
$ 66,910	$ 18,262	$ 43,433	$ 1,547,287	$ 12,557	$ 2,015,241	$ 1,855,428
$ 2,618						
				$ 45	$ 31,933	$ 26,049
149	$ 2		$ 853		53,119	48,178
200					20,662	12,441
4,156	31		16,747		20,950	2,083
			245,477		245,477	238,709
			15,825		15,825	16,842
					22,281	21,870
				12,512	12,512	5,632
					3,477	2,111
12					3,962	5,424
7,135	33		278,902	12,557	430,198	379,339
			1,268,385		1,268,385	1,201,601
					43,019	35,599
					12,479	13,970
					34,546	33,457
					7,367	6,923
					44,128	36,531
					6	6
22,132	417	$ 30,031			13,520	13,567
					52,610	33,256
					32,797	28,966
					43	35
37,429	17,812				4,889	3,676
214					62,306	55,925
		13,372			8,948	12,577
59,775	18,229	43,433	1,268,385		1,585,043	1,476,089
$ 66,910	$ 18,262	$ 43,433	$ 1,547,287	$ 12,557	$ 2,015,241	$ 1,855,428

Statistical And Economic Data

The Statistical Data are presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

STATE OF TENNESSEE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

SOURCE	FOR THE YEAR ENDED JUNE 30									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
TAXES	$1,137,469	$1,370,729	$1,553,452	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	$2,776,915
LICENSES, FEES AND PERMITS	27,042	29,095	33,688	35,602	38,260	40,359	45,283	47,601	60,320	64,370
INTEREST ON INVESTMENTS	26,478	23,669	29,116	52,994	72,354	60,975	71,243	62,981	56,567	77,935
FEDERAL	664,417	712,770	812,669	925,536	1,104,412	1,174,990	1,039,894	1,062,387	1,308,304	1,372,825
DEPARTMENTAL SERVICES	114,423	131,167	139,126	138,246	168,282	179,939	194,046	201,550	215,753	245,246
OTHER	3,040	4,503	5,580	5,246	10,083	7,817	13,234	10,148	9,368	10,273
TOTAL REVENUES-ALL GOVERNMENTAL FUND TYPES	$1,972,869	$2,271,933	$2,573,631	$2,837,826	$3,123,288	$3,264,511	$3,322,963	$3,432,270	$3,945,356	$4,547,564

TABLE II

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

FUNCTION	FOR THE YEAR ENDED JUNE 30									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
GENERAL GOVERNMENT	$ 86,741	$ 141,814	$ 142,727	$ 134,539	$ 174,117	$ 179,184	$ 153,618	$ 134,967	$ 134,998	$ 161,615
EDUCATION	601,645	640,863	721,100	823,474	916,165	964,925	981,371	970,362	981,080	1,167,879
HEALTH AND SOCIAL SERVICES	541,871	609,235	750,400	825,890	959,620	1,028,512	1,035,710	1,105,524	1,295,742	1,380,586
LAW, JUSTICE AND PUBLIC SAFETY	82,143	99,592	115,607	128,982	145,516	162,715	176,964	193,465	212,925	256,243
RECREATION AND RESOURCES DEVELOPMENT	39,662	44,994	53,427	56,941	64,538	68,366	71,031	77,842	112,285	136,274
REGULATION OF BUSINESS AND PROFESSIONS	7,920	9,900	11,786	12,722	13,808	14,245	15,330	16,643	13,566	15,920
TRANSPORTATION	386,838	329,844	311,769	392,202	479,599	447,850	429,587	427,695	544,367	606,783
DEBT SERVICE	56,518	76,566	80,748	80,873	78,104	80,774	85,487	91,596	87,640	83,440
CAPITAL OUTLAY	114,755	83,314	59,653	56,681	58,554	52,954	41,280	25,405	31,537	41,211
TOTAL EXPENDITURES-ALL GOVERNMENTAL FUND TYPES	$1,918,093	$2,036,122	$2,247,217	$2,512,304	$2,890,021	$2,999,525	$2,990,378	$3,043,499	$3,414,140	$3,849,951

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30									
TAX REVENUES	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
SALES AND USE	$ 516,214	$ 690,079	$ 785,143	$ 886,515	$ 924,007	$ 981,106	$1,050,605	$1,106,186	$1,277,101	**$1,657,724**
GASOLINE	92,302	96,153	99,101	103,003	94,167	90,511	115,758	115,398	115,270	**112,792**
MOTOR FUEL	14,363	16,271	18,104	20,005	19,646	20,516	30,923	31,869	35,499	**36,794**
GASOLINE INSPECTION	30,597	22,202	23,398	23,961	20,062	18,693	17,838	18,244	19,688	**19,831**
MOTOR VEHICLE REGISTRATION	77,906	85,809	84,301	89,894	90,761	89,785	105,635	104,607	111,892	**117,897**
INCOME	15,759	15,791	17,368	18,181	21,403	24,613	30,345	35,521	37,288	**42,240**
PRIVILEGE	17,099	21,218	25,385	28,407	28,473	28,291	26,445	29,072	37,855	**41,433**
GROSS RECEIPTS	37,820	38,463	66,581	71,616	77,051	89,032	99,242	105,787	110,740	**112,457**
ALCOHOLIC BEVERAGE	20,802	21,294	22,249	22,745	23,217	23,249	23,972	24,106	43,490	**43,976**
FRANCHISE	31,267	32,249	37,749	41,001	43,938	45,705	49,511	56,741	69,483	**114,722**
EXCISE	128,621	156,042	170,848	186,089	198,222	193,365	206,535	202,558	229,892	**257,383**
INHERITANCE AND ESTATE	30,683	41,247	57,588	37,493	28,307	26,674	28,639	36,208	36,426	**32,939**
TOBACCO	65,896	67,829	70,767	72,029	73,819	77,058	78,442	78,338	76,874	**80,135**
INSURANCE COMPANIES PREMIUM	37,657	43,525	50,033	55,444	60,006	62,143	63,927	67,345	71,592	**85,738**
OTHER	20,483	22,557	24,837	23,819	26,818	29,690	31,446	35,623	21,954	**20,854**
TOTAL TAX REVENUES-ALL GOVERNMENTAL FUND TYPES	$1,137,469	$1,370,729	$1,553,452	$1,680,202	$1,729,897	$1,800,431	$1,959,263	$2,047,603	$2,295,044	**$2,776,915**

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1985

Presented below is a brief description of the state's principal tax sources as shown in the preceding table. Since portions of some of these taxes are ultimately distributed to local governments, the preceding table reflects only those tax collections retained for state purposes.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, has become the state's leading source of revenue. From enactment until 1955, the general sales tax rate was 2%. Rates were subsequently increased by temporary and permanent components until, effective May 20, 1983, the 4.5% rate was made permanent. Effective April 1, 1984 the rate was temporarily increased to 5.5%. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property and, effective June 1, 1984, was extended to include most admission and amusement charges. Certain services including charges for transient accommodations, storage and parking, and telephone service for regular subscribers are also subject to sales tax. Utilities and anti-pollution equipment are taxed at rates ranging from 1% to 1.5%. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax is levied at the rate of 12¢ on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax is imposed at the rate of 12¢ per gallon on the sale of diesel fuel. Effective July 1, 1984 the tax was levied on motor vehicles powered by liquified gas at rates ranging from $70 for passenger cars to $114 for the largest trucks. Owners of commercial vehicles may be charged additional tax based on number of miles driven in Tennessee.

GASOLINE INSPECTION FEE - The gasoline inspection fee was first enacted in 1899 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. Currently, the rate is 1¢ per gallon on volatile substances having certain gravity level which are produced from petroleum, natural gas, oil shales or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of all motor vehicles. Vehicles for personal use are charged $18.75. The fee for motorcycles is $9.75. Motor freight vehicles are charged fees ranging from $37.50 to $1,300.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks and interest on bonds, except that the rate is only 4% on dividends from companies having more than 75% of their corporate property within the state. Blind persons, pension trusts, profit-sharing trusts and qualifying persons 65 years of age or older are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer and mortgage taxes.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, firearms and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up over 75% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of $4.00 per gallon on distilled spirits and $1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in corporate form in the state. The tax is levied at the rate of $2.50 per $1,000 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% of annual net earnings from business done in Tennessee by all corporations, co-operatives conducted for profit, joint stock associations, business trusts, state banks, national banks and savings and loan associations. Formulas are used for determining the appropriate tax for corporations doing business in Tennessee as well as other states.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally the tax was applicable only to property going to collateral heirs, but was extended to direct heirs in 1909. The rate and base are divided into two different classes and apply to all property, real and personal, with certain exemptions applicable to each class. During the 1978 and 1983 sessions of the General Assembly extensive changes were made in the inheritance, estate and gift tax statutes (Chapter 731, Public Acts, 1978 and Chapter 237, Public Acts, 1983). These changes have resulted in substantial decreases in collections.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13¢ per pack of 20 cigarettes and 6% of the wholesale cost for all other tobacco products.

COIN-OPERATED AMUSEMENT TAX - This tax, first enacted in 1983, is applied to any coin or token-operated machine which affords music, amusement or entertainment without vending any merchandise. The annual tax is $100 per device, which may be prorated for machines placed in operation after October in any year.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1945, is applied to gross premiums paid by or for policyholders residing in this state or on property located in the state. The rate is 1.75% for domestic life insurance companies, 2% for foreign life insurance companies and 2.5% for property and casualty insurance companies.

TABLE IV

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-TERM DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN YEARS

(Expressed in Thousands except Ratio and Per Capita Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	GENERAL LONG-TERM DEBT			NET GENERAL LONG-TERM DEBT	
			TOTAL (NOTE)	LESS DEBT SERVICE FUND	NET	RATIO TO ASSESSED VALUE	PER CAPITA
1976	4,329	$11,380,700	$642,960	$ 1,115	$641,845	5.64%	$148.27
1977	4,402	11,904,000	639,750	3,805	635,945	5.34	144.47
1978	4,462	12,739,400	698,940	1,800	697,140	5.47	156.24
1979	4,533	13,591,900	650,730	2,461	648,269	4.77	143.01
1980	4,602	16,647,800	603,020	2,821	600,199	3.61	130.42
1981	4,612	17,350,600	590,195	2,897	587,298	3.38	127.34
1982	4,633	18,642,000	539,070	2,436	536,634	2.88	115.83
1983	4,678	21,875,000	583,445	2,143	581,302	2.66	124.26
1984	4,732	25,239,000	530,820	6,574	524,246	2.03	111.02
1985	**4,779(EST.)**	**29,100,000 (EST.)**	**480,695**	**3,753**	**476,942**	**1.64**	**99.80**

NOTE: Total General Long-Term Debt does not include State Loan Program Fund General Obligation Notes and Bonds as follows:

YEAR	NOTES	BONDS
1976	$69,800	
1977	95,000	$52,095
1978	43,375	50,905
1979	65,000	49,650
1980	44,000	48,330
1981	49,490	79,995
1982		78,270
1983		76,205
1984		73,930
1985		71,540

These obligations are reported as debt of that enterprise in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 1985

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (1985 PLEDGED REVENUES OF $314,286 ÷ 150%)	$209,524
LESS - 1985 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING STATE LOAN PROGRAM FUND GENERAL OBLIGATION BONDS	94,351
LEGAL DEBT SERVICE MARGIN	**$115,173**

	PORTION PLEDGED	COLLECTIONS FOR FISCAL YEAR 1985			PLEDGED	
		ALL GOVERNMENTAL FUND TYPES	LOCAL GOVERNMENT FUND	TOTAL	PER CENT	AMOUNT
CALCULATION OF 1985 PLEDGED REVENUES, AS ABOVE:						
GASOLINE TAX	5¢ of the 9¢ tax per gallon	$ 112,792	$ 82,988	$ 195,780	55.5%	$108,767
GASOLINE INSPECTION FEE	All	19,831	12,017	31,848	100.0	31,848
MOTOR VEHICLE REGISTRATION FEE	One-half	117,897		117,897	50.0	58,949
FRANCHISE TAX	All	114,722		114,722	100.0	114,722
TOTALS		**$ 365,242**	**$ 95,005**	**$ 460,247**		**$314,286**

NOTE: Pledged revenues for the last five years are shown below:

FISCAL YEAR	PLEDGED REVENUES	PER CENT INCREASE (DECREASE)
1981	$233,580	(1.9)%
1982	243,944	4.4
1983	250,595	2.7
1984	268,269	7.1
1985	314,286	17.2

STATE OF TENNESSEE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
LONG-TERM DEBT TO TOTAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Ratio Data)

FOR THE YEAR ENDED JUNE 30	DEBT SERVICE	TOTAL EXPENDITURES	RATIO
1976	$56,518	$1,918,093	2.95%
1977	76,566	2,036,122	3.76
1978	80,748	2,247,217	3.59
1979	80,873	2,512,304	3.22
1980	78,104	2,890,021	2.70
1981	80,774	2,999,525	2.69
1982	85,487	2,990,378	2.86
1983	91,596	3,064,039	2.99
1984	87,640	3,414,140	2.57
1985	**83,440**	**3,849,951**	**2.17**

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
TENNESSEE HOUSING DEVELOPMENT AGENCY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	DEDICATED REVENUES	RELATED EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE (NOTE)
1976	$ 4,582	$ 178	$ 4,404	$ 4,340	1.01
1977	7,893	278	7,615	7,233	1.05
1978	13,104	712	12,392	11,825	1.05
1979	24,339	928	23,411	20,177	1.16
1980	32,289	1,123	31,166	26,548	1.17
1981	42,335	1,478	40,857	38,609	1.06
1982	45,141	1,600	43,541	44,424	.98
1983	63,336	1,805	61,531	65,174	.94
1984	63,216	1,995	61,221	65,451	.94
1985	**80,733**	**2,385**	**78,348**	**83,714**	**.94**

NOTE: Under THDA's series bond resolutions, scheduled amounts of anticipated mortgage loan prepayments are used each year to pay a portion of maturing bond principal. Accordingly, in addition to the net revenue available for debt service shown above, THDA applied some $7.6 million in prepayments against fiscal year 1985's debt service requirements.

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	FEES AND CHARGES	DEBT SERVICE REQUIREMENTS			COVERAGE
		TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER THAN AUTHORITY	TOTAL	
1976	$ 132,371	$ 7,648	$1,378	$ 9,026	14.7
1977	144,728	12,769	1,297	14,066	10.3
1978	155,927	12,939	1,342	14,281	10.9
1979	174,513	13,109	1,261	14,370	12.1
1980	193,954	13,013	2,038	15,051	12.9
1981	229,638	13,014	1,451	14,465	15.9
1982	262,407	13,009	1,435	14,444	18.2
1983	290,454	12,526	1,349	13,875	20.9
1984	291,675	19,766	1,333	21,099	13.8
1985	**352,999**	**22,126**	**1,359**	**23,485**	**15.0**

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 1985

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			STATE LOAN PROGRAM FUND DEBT		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1986	$ 50,125	$ 26,297	**$ 76,422**	$ 2,515	$ 4,225	**$ 6,740**
1987	50,125	23,769	**73,894**	2,655	4,089	**6,744**
1988	48,565	21,204	**69,769**	2,805	3,945	**6,750**
1989	45,815	18,704	**64,519**	2,975	3,792	**6,767**
1990	45,815	16,286	**62,101**	3,050	3,629	**6,679**
1991	43,165	13,947	**57,112**	3,195	3,461	**6,656**
1992	38,365	11,680	**50,045**	3,355	3,285	**6,640**
1993	31,955	9,729	**41,684**	3,550	3,100	**6,650**
1994	31,955	7,928	**39,883**	3,715	2,903	**6,618**
1995	28,955	6,211	**35,166**	3,900	2,695	**6,595**
1996	23,455	4,583	**28,038**	3,775	2,474	**6,249**
1997	11,655	3,290	**14,945**	3,015	2,256	**5,271**
1998	6,915	2,513	**9,428**	3,070	2,079	**5,149**
1999	6,915	1,956	**8,871**	3,270	1,896	**5,166**
2000	6,915	1,398	**8,313**	3,465	1,700	**5,165**
2001	5,000	838	**5,838**	3,335	1,490	**4,825**
2002	5,000	419	**5,419**	3,530	1,293	**4,823**
2003				3,120	1,082	**4,202**
2004				3,310	891	**4,201**
2005				3,195	688	**3,883**
2006				1,930	488	**2,418**
2007				1,090	361	**1,451**
2008				1,160	279	**1,439**
2009				1,235	192	**1,427**
2010				1,325	99	**1,424**
TOTALS	$ 480,695	$ 170,752	**$651,447**	$ 71,540	$ 52,392	**$123,932**

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 1985

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	HOUSING DEVELOPMENT AGENCY DEBT (NOTE)			LOCAL DEVELOPMENT AUTHORITY DEBT			COLLEGE AND UNIVERSITY DEBT (NOTE)		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1986	$ 17,174	$ 68,039	$ 85,213	$ 1,207	$ 5,498	$ 6,705	$ 7,671	$ 17,129	$ 24,800
1987	21,936	70,055	91,991	1,277	5,429	6,706	8,456	16,026	24,482
1988	22,638	68,552	91,190	1,360	5,346	6,706	8,780	15,506	24,286
1989	23,496	66,923	90,419	1,455	5,251	6,706	9,424	14,955	24,379
1990	24,285	65,163	89,448	1,564	5,142	6,706	10,001	14,352	24,353
1991	25,455	63,254	88,709	1,689	5,016	6,705	10,665	13,708	24,373
1992	28,124	61,139	89,263	1,829	4,877	6,706	11,352	13,010	24,362
1993	29,194	58,829	88,023	1,984	4,722	6,706	11,926	12,256	24,182
1994	28,824	56,408	85,232	2,158	4,548	6,706	8,830	11,449	20,279
1995	29,671	53,867	83,538	2,350	4,356	6,706	9,311	10,962	20,273
1996	31,036	51,144	82,180	2,561	4,144	6,705	9,794	10,444	20,238
1997	32,817	48,210	81,027	2,562	3,909	6,471	10,033	9,888	19,921
1998	36,342	44,977	81,319	2,803	3,668	6,471	10,385	9,311	19,696
1999	37,958	41,449	79,407	2,652	3,399	6,051	10,998	8,685	19,683
2000	36,617	37,723	74,340	2,911	3,140	6,051	11,515	8,019	19,534
2001	36,141	34,410	70,551	2,011	2,852	4,863	9,912	7,310	17,222
2002	38,702	30,964	69,666	2,211	2,653	4,864	12,152	6,682	18,834
2003	40,972	27,243	68,215	2,430	2,432	4,862	9,448	5,930	15,378
2004	44,865	23,229	68,094	2,304	2,189	4,493	10,080	5,303	15,383
2005	46,081	31,433	77,514	2,447	1,959	4,406	10,662	4,627	15,289
2006	39,489	39,669	79,158	1,602	1,711	3,313	8,814	3,910	12,724
2007	40,542	46,023	86,565	1,764	1,549	3,313	5,980	3,275	9,255
2008	24,998	64,950	89,948	1,943	1,370	3,313	5,520	2,787	8,307
2009	22,612	63,109	85,721	2,140	1,173	3,313	6,000	2,295	8,295
2010	15,726	71,688	87,414	2,356	957	3,313	6,545	1,760	8,305
2011	13,583	70,721	84,304	2,437	718	3,155	6,514	1,155	7,669
2012	11,799	69,866	81,665	1,972	471	2,443	5,894	568	6,462
2013	6,040	68,958	74,998	967	271	1,238			
2014	3,421	68,843	72,264	843	174	1,017			
2015	3,163	66,531	69,694	873	88	961			
2016	2,677	33,920	36,597						
2017	2,672	6,607	9,279						
2018	1,490	43,081	44,571						
TOTALS	$820,540	$ 1,716,977	$ 2,537,517	$ 58,662	$ 89,012	$147,674	$ 246,662	$ 231,302	$ 477,964

NOTE: Tennessee Housing Development Agency debt principal above is less than that presented in the accompanying financial statements by $2,276. This amount, representing the accretion to date of interest on municipal multiplier bonds, has been reported as bond principal in the financial statements; it is reported above as interest in those years (2008-2016) the bonds mature.

College and University refunded debt totaling $51.115 million has been replaced in the above table by refunding debt of $52.3 million, thereby giving effect to the crossover advance refunding which will be consummated in 1986.

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 1985

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL OBLIGATION BONDS		REVENUE BONDS			TOTAL REQUIREMENTS
	GENERAL LONG-TERM DEBT	STATE LOAN PROGRAM DEBT	HOUSING DEVELOPMENT AGENCY DEBT	LOCAL DEVELOPMENT AUTHORITY DEBT	COLLEGE AND UNIVERSITY DEBT	
1986	$ 76,422	$ 6,740	$ 85,213	$ 6,705	$ 24,800	$ 199,880
1987	73,894	6,744	91,991	6,706	24,482	203,817
1988	69,769	6,750	91,190	6,706	24,286	198,701
1989	64,519	6,767	90,419	6,706	24,379	192,790
1990	62,101	6,679	89,448	6,706	24,353	189,287
1991	57,112	6,656	88,709	6,705	24,373	183,555
1992	50,045	6,640	89,263	6,706	24,362	177,016
1993	41,684	6,650	88,023	6,706	24,182	167,245
1994	39,883	6,618	85,232	6,706	20,279	158,718
1995	35,166	6,595	83,538	6,706	20,273	152,278
1996	28,038	6,249	82,180	6,705	20,238	143,410
1997	14,945	5,271	81,027	6,471	19,921	127,635
1998	9,428	5,149	81,319	6,471	19,696	122,063
1999	8,871	5,166	79,407	6,051	19,683	119,178
2000	8,313	5,165	74,340	6,051	19,534	113,403
2001	5,838	4,825	70,551	4,863	17,222	103,299
2002	5,419	4,823	69,666	4,864	18,834	103,606
2003		4,202	68,215	4,862	15,378	92,657
2004		4,201	68,094	4,493	15,383	92,171
2005		3,883	77,514	4,406	15,289	101,092
2006		2,418	79,158	3,313	12,724	97,613
2007		1,451	86,565	3,313	9,255	100,584
2008		1,439	89,948	3,313	8,307	103,007
2009		1,427	85,721	3,313	8,295	98,756
2010		1,424	87,414	3,313	8,305	100,456
2011			84,304	3,155	7,669	95,128
2012			81,665	2,443	6,462	90,570
2013			74,998	1,238		76,236
2014			72,264	1,017		73,281
2015			69,694	961		70,655
2016			36,597			36,597
2017			9,279			9,279
2018			44,571			44,571
TOTALS	$ 651,447	$ 123,932	$ 2,537,517	$ 147,674	$ 477,964	$ 3,938,534

STATE OF TENNESSEE
STATEMENT OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

(Expressed in Thousands)

	JUNE 30				
	1981	1982	1983	1984	1985
CAPITAL PROJECTS FUND -					
BOND ANTICIPATION NOTES		$ 146,300	$ 46,140	$ 88,520	$ 67,770
ENTERPRISE FUNDS:					
LOCAL DEVELOPMENT AUTHORITY NOTES	$ 49,490	90,675	92,250	78,280	90,200
LOCAL DEVELOPMENT AUTHORITY BONDS					58,662
STATE LOAN PROGRAM BONDS	79,995	78,270	76,205	73,930	71,540
TENNESSEE HOUSING DEVELOPMENT AGENCY NOTES	240				
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	469,232	509,744	648,639	655,557	822,816
	598,957	678,689	817,094	807,767	1,043,218
INTERNAL SERVICE FUNDS:					
INFORMATION SYSTEM SERVICES NOTES			1,522		
TENNESSEE STATE SCHOOL BOND AUTHORITY NOTES			58,710		
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	110,200	52,222	52,248	52,274	52,300
TENNESSEE STATE SCHOOL BOND AUTHORITY CALL PREMIUMS	1,533	1,533	1,533	1,533	1,533
	111,733	53,755	114,013	53,807	53,833
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP - BONDS	590,195	539,070	583,445	530,820	480,695
COLLEGE AND UNIVERSITY FUNDS:					
ENDOWMENT FUND NOTES	16	16	16	16	16
PLANT FUND NOTES	37,578	37,533	2,088	2,067	20,934
PLANT FUND BONDS	177,623	172,924	243,881	238,709	245,477
	215,217	210,473	245,985	240,792	266,427
TOTALS	$ 1,516,102	$ 1,628,287	$ 1,806,677	$ 1,721,706	$ 1,911,943

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

Economic growth rates have been very strong over the past 18 months. The state registered healthy economic gains in personal income, average hours worked in industry, and employment in 1985. The long run outlook for Tennessee is bright because of its comparative advantages, including low-cost labor, relatively inexpensive energy, above-average productivity, plentiful natural resources and sun-belt location. Tennessee's gross state product and personal income ratios continued to rebound, exceeding the national average rates of increase in 1985. Tennessee's gross state product as a percentage of gross national product was 1.80% in 1976 and 1.83% in 1985, and personal income was 1.63% in 1976 and 1.61% in 1985.

(Expressed in Millions)

YEAR	GROSS STATE PRODUCT	PERSONAL INCOME	DISPOSABLE PERSONAL INCOME
1976	$ 30,609	$ 22,672	$ 20,446
1977	34,981	25,156	22,524
1978	39,914	28,542	25,558
1979	43,772	31,979	28,684
1980	46,386	35,202	31,310
1981	51,915	39,368	35,138
1982	53,438	41,406	37,175
1983	58,183	43,867	39,695
1984	65,471	48,373	43,645
1985 (EST)	**70,131**	**52,568**	**47,354**

	TENNESSEE GROSS STATE PRODUCT BY SECTOR (Expressed in Millions)			SECTOR AS PERCENTAGE OF 1985 TOTAL
	1975	1980	1985	
MANUFACTURING	$ 9,290	$15,588	$23,310	33.2%
CONSTRUCTION	1,196	1,854	2,577	3.7
MINING	309	549	572	.8
TRADE	4,538	7,333	11,307	16.1
SERVICES	2,841	5,228	8,978	12.8
FINANCE, INSURANCE AND REAL ESTATE	3,248	5,614	8,988	12.9
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	1,986	3,673	5,962	8.5
FEDERAL GOVERNMENT	1,170	2,157	2,617	3.7
STATE AND LOCAL GOVERNMENT	1,969	3,395	4,771	6.8
AGRICULTURE	592	995	1,049	1.5
TOTAL GROSS STATE PRODUCT	$27,139	$46,386	$70,131	100.0%

	TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR			PERCENTAGE CHANGE (FROM 1975 TO 1985)
	1975	1980	1985	
MANUFACTURING	$ 9,154	$ 13,905	$ 20,250	121.2%
CONSTRUCTION	9,692	13,586	20,154	107.9
MINING	11,305	17,031	24,969	120.9
TRADE	7,268	10,384	13,556	86.5
SERVICES	7,499	11,312	16,935	125.8
FINANCE, INSURANCE AND REAL ESTATE	9,094	13,809	20,121	121.3
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	12,085	18,653	24,970	106.6
FEDERAL GOVERNMENT	13,500	19,775	27,612	104.5
STATE AND LOCAL GOVERNMENT	7,965	11,789	15,542	95.1
AGRICULTURE	3,065	4,568	6,914	125.6
ALL SECTORS	$ 8,598	$ 12,785	$ 17,842	107.5%

*Except as otherwise noted, the source for all economic information presented is the Tennessee Econometric Model developed by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville.

MANUFACTURING

The manufacturing sector in Tennessee continues to experience a strong expansion. The state continues to be attractive to a variety of manufacturers as evidenced by the $1.34 billion in announced capital investment in 1984. The combined new plant and expansion projects announced are expected to create 22,130 new job opportunities, the highest in the last 10 years. The tables which follow indicate the state's manufacturing gross product, employment and industrial expansion.

TENNESSEE MANUFACTURING GROSS PRODUCT
(Expressed in Millions)

	1975	1980	1985	PERCENTAGE CHANGE (FROM 1975 TO 1985)
DURABLES:				
FURNITURE AND FIXTURES	$ 264	$ 388	$ 686	159.8%
FABRICATED METALS	636	1,067	1,389	118.4
NONELECTRICAL MACHINERY	715	1,400	2,363	230.5
ELECTRICAL MACHINERY	613	1,312	1,990	224.6
TRANSPORTATION EQUIPMENT	344	742	1,777	416.6
OTHER	1,191	1,904	2,807	135.7
TOTAL DURABLES	3,763	6,813	11,012	192.6
NONDURABLES:				
FOOD	983	1,591	2,088	112.4
TEXTILES	346	462	679	96.2
APPAREL	653	1,058	1,514	131.9
PAPER	467	770	1,155	147.3
PRINTING AND PUBLISHING	418	690	1,193	185.4
CHEMICALS	1,827	2,773	3,761	105.9
RUBBER AND PLASTICS	472	786	1,280	171.2
OTHER	361	645	628	74.0
TOTAL NONDURABLES	5,527	8,775	12,298	122.5
TOTALS	$ 9,290	$ 15,588	$ 23,310	150.9%

TENNESSEE MANUFACTURING EMPLOYMENT
(Expressed in Thousands)

	1975	1980	1985	PERCENTAGE CHANGE (FROM 1975 TO 1985)
DURABLES:				
FURNITURE AND FIXTURES	22.5	21.5	23.6	4.9%
FABRICATED METALS	31.3	32.8	30.0	(4.2)
NONELECTRICAL MACHINERY	27.9	35.0	41.0	47.0
ELECTRICAL MACHINERY	31.4	40.2	44.7	42.4
TRANSPORTATION EQUIPMENT	17.6	23.2	27.8	60.0
OTHER	63.9	70.5	71.5	11.9
TOTAL DURABLES	194.6	223.2	238.6	22.6
NONDURABLES:				
FOOD	38.3	39.0	35.9	(6.3)
TEXTILES	27.1	26.3	25.8	(4.8)
APPAREL	66.1	69.4	66.2	.1
PAPER	15.2	17.7	18.1	19.1
PRINTING AND PUBLISHING	22.4	26.9	30.5	36.2
CHEMICALS	55.2	58.2	52.1	(5.6)
RUBBER AND PLASTICS	16.7	20.4	23.5	40.7
OTHER	23.4	21.6	14.9	(36.3)
TOTAL NONDURABLES	264.4	279.5	267.0	1.0
TOTALS	459.0	502.7	505.6	10.2%

INDUSTRIAL GROWTH IN TENNESSEE
NEW PLANTS AND EXPANSIONS

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
NUMBER:										
NEW	94	97	141	104	90	80	70	73	118	109
EXPANSIONS	138	194	195	136	151	129	158	137	204	253
	232	291	336	240	241	209	228	210	322	362
INVESTMENT (IN THOUSANDS):										
NEW	$ 160,463	$ 215,064	$ 177,555	$ 212,002	$ 238,945	$ 922,894	$ 119,147	$ 173,405	$ 207,536	$ 329,403
EXPANSIONS	135,146	255,787	397,536	367,874	353,274	853,470	463,731	587,578	1,116,533	1,315,274
	$ 295,609	$ 470,851	$ 575,091	$ 579,876	$ 592,219	$1,776,364	$ 582,878	$ 760,983	$1,324,069	$1,344,677
JOB OPPORTUNITIES:										
NEW	6,203	7,967	9,542	7,674	5,942	7,294	3,679	5,336	8,154	7,065
EXPANSIONS	5,285	8,868	8,927	6,750	8,922	5,460	9,253	5,602	11,897	15,065
	11,488	16,835	18,469	14,424	14,864	12,754	12,932	10,938	20,051	22,130

FIFTY LARGEST INDUSTRIAL EMPLOYERS

(Ranked by Number of Employees)

	COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES
1.	MARTIN MARIETTA CORP.	4	17,603
2.	EASTMAN KODAK COMPANY	2	11,050
3.	E.I. DUPONT DE NEMOURS & CO	4	6,512
4.	NORTH AMERICAN PHILIPS CORP.	5	4,838
5.	ARCATA CORPORATION	3	4,700
6.	ALUMINUM CO. OF AMERICA	2	4,200
7.	ALUSUISSE	5	4,130
8.	GULF & WESTERN INDUSTRIES, INC.	17	3,746
9.	GENESCO, INC.	15	3,638
10.	GENERAL ELECTRIC COMPANY	6	3,570
11.	LEVI STRAUSS & COMPANY	7	3,519
12.	COMBUSTION ENGINEERING, INC.	1	3,500
13.	AKZO N.V.	2	3,143
14.	HENRY I. SIEGEL COMPANY, INC.	8	3,055
15.	UNITED TECHNOLOGIES CORPORATION	8	2,973
16.	GOODYEAR TIRE & RUBBER COMPANY	1	2,900
17.	NISSAN MOTOR COMPANY LTD	1	2,900
18.	NORTHWEST INDUSTRIES, INC.	7	2,797
19.	WASHINGTON MANUFACTURING CO.	11	2,724
20.	SALANT CORPORATION	6	2,609
21.	BROWN GROUP, INC.	8	2,607
22.	AVCO STRUCTURES	1	2,500
23.	KELLWOOD COMPANY	8	2,332
24.	BEATRICE COMPANIES, INC.	6	2,237
25.	RAYTHEON COMPANY	2	2,200
26.	UNITED STATES SHOE CORP.	2	2,132
27.	U. S. INDUSTRIES, INC.	2	2,100
28.	BLUE BELL, INC.	8	2,086
29.	MCKEE BAKING COMPANY	3	2,075
30.	TRW, INC.	4	2,055
31.	FORD MOTOR COMPANY	1	2,000
32.	GANNETT COMPANY, INC.	1	2,000
33.	ALADDIN INDUSTRIES, INC.	2	1,979
34.	SCHERING-PLOUGH CORPORATION	2	1,880
35.	THE E.W. SCRIPPS COMPANY	2	1,850
36.	KAISER-ROTH	2	1,840
37.	ROBERTSHAW CONTROLS CO.	3	1,835
38.	THE TRANE COMPANY	1	1,700
39.	STATE INDUSTRIES, INC.	1	1,560
40.	UNION CARBIDE CORPORATION	6	1,553
41.	EATON CORPORATION	4	1,515
42.	AEOLIAN CORPORATION	2	1,500
43.	C.I.T. FINANCIAL CORP.	1	1,500
44.	BOWATER CORPORATION, INC.	1	1,489
45.	CITIES SERVICE COMPANY	1	1,475
46.	SPERRY CORPORATION	1	1,400
47.	BURLINGTON INDUSTRIES, INC.	2	1,360
48.	EMHART CORPORATION	1	1,356
49.	JIM WALTER CORPORATION	3	1,352
50.	MARLENE INDUSTRIES CORP.	3	1,345

SOURCE: Tennessee Department of Economic and Community Development.

AGRICULTURE

Important export commodities such as soybeans, tobacco, feed grains, cotton, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS
(Expressed in Millions)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
CROPS	$ 601.1	$ 707.1	$ 722.8	$ 842.1	$ 996.6	$1,162.5	$1,192.9	$ 985.4	$ 970.9	$1,013.8
MEAT ANIMALS	405.5	387.6	566.6	607.5	509.2	418.2	454.8	488.6	494.3	566.3
DAIRY PRODUCTS	193.8	203.3	214.7	244.1	287.3	307.7	296.1	303.2	320.7	336.4
POULTRY AND EGGS	81.1	90.9	90.0	102.6	108.4	118.3	109.6	117.8	120.7	121.0
TOTALS	$1,281.5	$1,391.9	$1,594.1	$1,796.3	$1,901.5	$2,006.7	$2,053.4	$1,895.0	$1,906.6	$2,037.5

POPULATION AND EMPLOYMENT TREND

The state's population has increased close to 1% per year with a shift in recent years to a net in-migration condition from one of a net out-migration.

(Expressed in Thousands except Unemployment Rates)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
POPULATION	4,329	4,402	4,462	4,533	4,602	4,612	4,633	4,678	4,732	4,779
LABOR FORCE	1,869	1,945	1,969	2,043	2,082	2,111	2,119	2,144	2,227	2,261
TOTAL EMPLOYMENT	1,757	1,822	1,856	1,924	1,930	1,919	1,876	1,907	2,033	2,081
UNEMPLOYMENT	112	123	113	119	152	192	243	237	194	180.5
TENNESSEE UNEMPLOYMENT RATE	6.0%	6.3%	5.7%	5.8%	7.3%	9.1%	11.5%	11.1%	8.7%	8.0%
U. S. UNEMPLOYMENT RATE	7.7%	7.1%	6.1%	5.8%	7.1%	7.6%	9.6%	10.2%	7.4%	7.5%

BANK DEPOSITS, INTERNAL REVENUE COLLECTIONS, RETAIL SALES AND EFFECTIVE BUYING INCOME

YEAR	(Expressed in Millions) BANK DEPOSITS	INDIVIDUAL IRS COLLECTIONS	RETAIL SALES	(Expressed in Thousands) EFFECTIVE BUYING INCOME MEDIAN HOUSEHOLD
1975	$ 13,098	$ 1,948	$ 11,436	$11.0
1976	14,249	2,226	12,748	11.6
1977	15,840	2,633	14,255	12.7
1978	17,141	2,984	15,712	13.4
1979	18,494	3,296	16,375	14.8
1980	19,798	3,775	17,373	15.8
1981	21,156	4,398	18,729	17.0
1982	22,893	4,959	19,870	19.0
1983	24,632	4,991	21,157	19.8
1984	28,306	4,728	24,765	21.3

NEW PRIVATELY OWNED HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES VALUATION OF BUILDING PERMITS ISSUED

(Expressed in Thousands)

YEAR	VALUATION	YEAR	VALUATION
1975	$ 310,900	1980	$ 610,800
1976	444,200	1981	392,000
1977	642,700	1982	701,100
1978	805,200	1983	1,202,700
1979	728,600	1984	1,406,633

SOURCES: The Tennessee Econometric Model, Tennessee Department of Employment Security Labor Force Summary, Sales and Marketing Management, and U. S. Bureau of the Census Construction Reports.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

YEAR	POPULATION	ASSESSED VALUE	APPRAISED/ ESTIMATED CURRENT VALUE (NOTE)	PERSONAL INCOME	PER CAPITA INCOME
1976	4,329	$11,380,700	$ 36,232,800	$22,672,000	$ 5.2
1977	4,402	11,904,000	38,298,200	25,155,000	5.7
1978	4,462	12,739,400	40,260,500	28,542,000	6.4
1979	4,533	13,591,900	66,257,600	31,983,000	7.1
1980	4,602	16,647,800	72,767,700	35,031,000	7.6
1981	4,612	17,350,600	87,795,800	38,957,000	8.4
1982	4,633	18,842,000	90,992,300	41,280,000	8.9
1983	4,678	21,875,000	93,915,000	43,731,000	9.3
1984	4,732	25,239,000	97,016,000	48,373,000	10.2
1985(EST.)	**4,779**	**29,100,000**	**100,200,000**	**52,568,000**	**11.0**

NOTE: State Law now requires the State Board of Equalization to determine and report "estimated current property value" instead of the previously published "appraised value." Estimated current property value calculations, shown in the above table since 1978, produce substantially larger amounts as they attempt to reflect current property values in advance of completion of the ongoing total reappraisal program.

PUBLIC SCHOOL ENROLLMENT GRADES K-12

ACADEMIC YEAR	GRADES K-3	GRADES 4-6	GRADES 7-9	GRADES 10-12	TOTAL ALL GRADES
1975-76	268,625	220,433	229,826	186,847	905,731
1976-77	277,579	210,359	234,306	186,042	908,286
1977-78	281,621	203,116	232,124	186,159	903,020
1978-79	280,357	202,414	224,585	190,173	897,529
1979-80	274,146	205,877	214,202	189,448	883,673
1980-81	268,985	214,658	210,485	192,554	886,682
1981-82	257,825	212,047	205,791	183,919	859,582
1982-83	255,674	203,806	208,712	177,527	845,719
1983-84	255,855	195,060	213,319	173,054	837,288
1984-85	**258,214**	**189,030**	**212,953**	**170,693**	**830,890**

PUBLIC HIGHER EDUCATION INSTITUTIONS
FULL-TIME EQUATED FALL ENROLLMENT

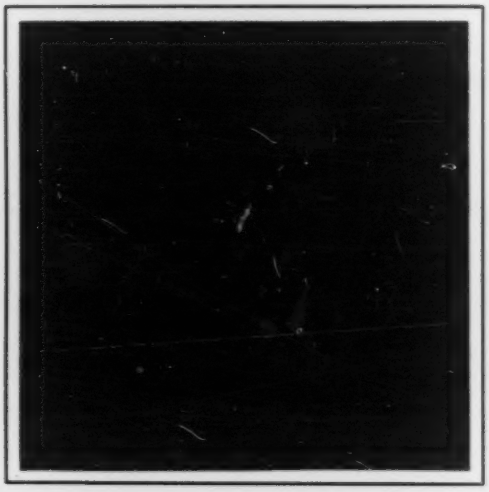
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
UNIVERSITIES:										
AUSTIN PEAY STATE	3,461	3,640	3,789	4,001	4,112	4,079	4,107	4,091	4,389	**4,306**
EAST TENNESSEE STATE	8,690	8,564	8,429	8,181	8,348	7,897	7,861	7,907	8,060	**7,963**
MEMPHIS STATE	16,669	15,939	15,836	15,683	15,495	15,195	15,007	15,524	16,483	**15,860**
MIDDLE TENNESSEE STATE	9,352	9,140	9,157	9,109	9,467	9,788	9,593	9,645	9,969	**9,794**
TENNESSEE STATE	4,633	4,943	4,525	4,889	6,473	6,588	6,091	6,128	6,134	**5,796**
TENNESSEE TECHNOLOGICAL	6,222	6,269	6,422	6,517	6,805	7,403	7,369	7,458	7,340	**7,068**
UNIVERSITY OF TENNESSEE:										
CHATTANOOGA	4,447	4,755	4,893	5,042	5,356	5,739	5,709	5,804	6,058	**5,764**
KNOXVILLE	26,407	25,997	26,412	25,371	25,725	25,662	24,402	22,991	22,721	**21,780**
MARTIN	4,854	4,874	4,665	4,652	4,828	5,005	5,153	5,129	5,115	**4,857**
NASHVILLE	2,544	2,586	2,558	2,418	*	*	*	*	*	*
TOTAL UNIVERSITIES	87,279	86,707	85,686	85,863	86,709	87,156	85,292	84,677	86,269	**83,188**
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECH.	2,327	2,349	2,413	2,633	2,997	3,108	3,205	3,405	3,502	**3,076**
CLEVELAND STATE	2,059	1,919	1,911	1,920	1,806	2,113	1,856	2,039	2,034	**1,791**
COLUMBIA STATE	1,218	1,150	1,166	1,248	1,311	1,451	1,353	1,536	1,504	**1,383**
DYERSBURG STATE	764	664	665	626	671	684	884	1,039	1,058	**958**
JACKSON STATE	1,478	1,459	1,438	1,522	1,683	1,686	1,683	1,840	1,784	**1,601**
MOTLOW STATE	815	870	974	1,067	1,124	1,362	1,224	1,352	1,354	**1,365**
ROANE STATE	1,527	1,637	1,662	1,751	1,799	2,139	2,216	2,323	2,368	**2,334**
SHELBY STATE	3,057	3,301	3,137	3,071	3,260	3,443	2,997	3,184	3,297	**2,855**
VOLUNTEER STATE	1,683	1,663	1,658	1,578	1,857	2,078	2,038	2,048	1,973	**1,855**
WALTERS STATE	1,949	1,768	1,797	1,875	2,102	2,286	2,116	2,240	2,244	**2,181**
TOTAL COMMUNITY COLLEGES	16,877	16,780	16,821	17,291	18,613	20,250	19,572	21,006	21,118	**19,399**
TOTAL ALL INSTITUTIONS	104,156	103,487	103,507	103,154	105,322	107,406	104,864	105,683	107,387	**102,587**

*Effective July 1, 1979 the Nashville campus of the University of Tennessee was merged with Tennessee State University.

SOURCES: The Tennessee Econometric Model, State Board of Equalization, Tennessee Department of Education and the Higher Education Commission.

Tennessee Homecoming '86 is one of the best things to ever happen to Tennessee. Homecoming '86 is part history lesson, part reunion and part old-fashioned hoedown. But most of all, it's a fun and exciting celebration of American values. It has given neighbors a reason to join hands and work together to make their community all it can be. There'll be hundreds of celebrations lasting an entire year. We welcome you to join in the fun. Together, we can make Tennessee Homecoming '86 an event not soon forgotten. Come join us!

Minnie Pearl **Alex Haley**
Honorary Co-Chairmen
Tennessee Homecoming '86



I'm proud of what my hometown, Woodbury, is doing as a Homecoming '86 community. I'm even more excited about the statewide potential of 3,000 Woodbury-type hometowns celebrating together in 1986.

John Bragg
State Representative and
President, National Conference
of State Legislatures

I walked for five years from coast to coast and saw every size and kind of town there is before I settled in my new home. Sometimes it takes an outsider to remind us just how precious and special our Tennessee is.

Peter Jenkins
Author, *A Walk Across America*